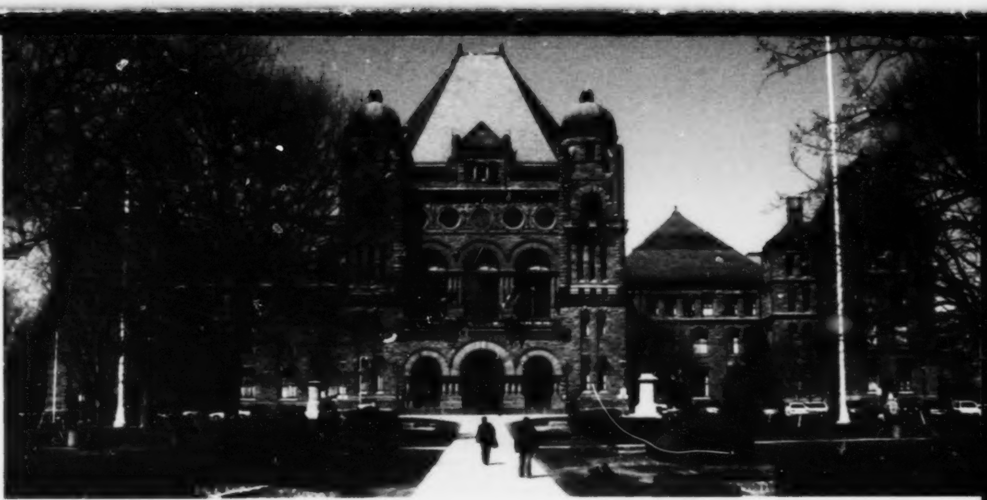

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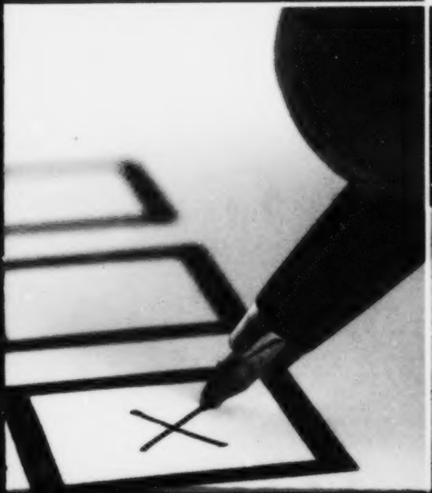
2005 Annual Report



Office of the
Auditor General
of Ontario

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Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to transmit the 2005 Annual Report of the Office of the Auditor General of Ontario for submission to the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

Jim McCarter, CA
Auditor General

Fall 2005

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Table of Contents

Chapter 1 **Overview and Value-for-money Audit Summaries** 1

Chapter 2 **Towards Better Accountability** 17

Chapter 3 **Reports on Value-for-money (VFM) Audits** 23

Section 3.01 Ambulance Services—Air 24
Section 3.02 Ambulance Services—Land 35
Section 3.03 Charitable Gaming 60
Section 3.04 Child Care Activity 81
Section 3.05 Driver and Vehicle Private Issuing Network 100
Section 3.06 Driver Licensing 126
Section 3.07 English as a Second Language and English Literacy Development 149
Section 3.08 Health Laboratory Services 166
Section 3.09 Mines and Minerals Program 181
Section 3.10 Office of the Chief Election Officer 202
Section 3.11 Office of the Registrar General 217
Section 3.12 Ontario Provincial Police 240
Section 3.13 Recovery of Health Costs Resulting from Accidents 259
Section 3.14 Temporary Help Services 274

Chapter 4 **Follow-up of Recommendations in the *2003 Annual Report*** 292

Section 4.01 Court Services 293
Section 4.02 Children's Mental Health Services 300
Section 4.03 Family Responsibility Office 304
Section 4.04 Policy and Consumer Protection Services Division 311
Section 4.05 Curriculum Development and Implementation 317
Section 4.06 Business and Economic Development Activities 322
Section 4.07 Science and Technology 327
Section 4.08 Environet 336
Section 4.09 Public Health Activity 343
Section 4.10 Ontario Student Assistance Program 350

Chapter 5 **Public Accounts of the Province** 355

Chapter 6 **The Office of the Auditor General of Ontario** 366

Chapter 7 **The Standing Committee on Public Accounts** 385

Exhibit 1 **Agencies of the Crown** 388

Exhibit 2 **Crown-controlled Corporations** 390

Exhibit 3 **Treasury Board Orders** 392

Exhibit 4 **Auditor General Act** 396

Chapter 1

Overview and Value-for-money Audit Summaries

Overview

NEED FOR BETTER OVERSIGHT

In this, my third Annual Report to the Legislative Assembly, I want to highlight one overriding theme that was apparent from the 14 value-for-money audits conducted by my Office this year: more rigorous managerial oversight is needed to ensure that services to the public are being delivered economically, efficiently, and effectively. Such oversight is necessary not only when services are being delivered directly by government staff but also when service delivery has been delegated to other organizations or municipalities on behalf of the government. By way of example, when programs or services were delivered directly by Ontario public servants, we noted the following areas where better management oversight was needed:

- *Registration of and production of certificates for vital events:* Until a few years ago, the Office of the Registrar General registered vital events and produced birth and other certificates on a timely basis. About two years ago, continuing problems with the implementation of a new computer system and human resources issues resulted in a significant deterioration in that Office's ability to provide birth, death, marriage, and other certificates on a timely basis. Only recently has that Office started turning this situation around.
- *Engagement of temporary help:* The government spends about $40 million to $50 million annually engaging temporary help on a short-term basis. We found widespread non-compliance with government procurement policies, particularly with respect to sole-sourcing instead of using a competitive process, not addressing potential conflict-of-interest situations, and frequently engaging temporary help for long-term periods.
- *Use of consultants at the Office of the Chief Election Officer:* Senior management was not paying sufficient attention to the principles of fair, open, and transparent competition in the engagement of consultants or to the ongoing oversight of consultants' work.
- *Community-oriented policing:* Although senior leadership of the Ontario Provincial Police had placed an increased emphasis on community-oriented policing, insufficient guidance and oversight of detachments meant that they had little assurance that this initiative was being adequately delivered in communities across Ontario.

Like other provincial governments, the Ontario government provides funding to a wide variety of municipal, broader public-sector, and other community-based organizations to deliver services to the public on its behalf. In reviewing the adequacy of ministry oversight where services were being significantly funded by the Ontario government but delivered by others, we noted during this year's audits that better oversight of the government's service delivery partners was needed in the following areas:

- *Land and air ambulance response times:* Regulatory or contractual response times were not being met up to two-thirds of the time. As well, the Ministry of Health and Long-Term Care had not acted on a prior recommendation by the Legislature's Standing Committee on Public Accounts that land ambulance response times in each municipality be publicly reported.
- *Integrity of charitable gaming:* The Alcohol and Gaming Commission of Ontario has a mandate to ensure that games of chance are conducted in the public interest by people with integrity and that charities receive the money they are entitled to. Although municipalities issue close to 95% of the charitable gaming licences issued in Ontario, the Commission believed that it did not have the legislative authority to monitor whether municipalities were properly overseeing gaming operators and therefore did not do such monitoring. We felt that the Commission's interpretation of its lack of authority was not correct.
- *Quality of testing at medical laboratories:* The Ministry of Health and Long-Term Care relies on the Ontario Medical Association to evaluate the quality and accuracy of testing performed by private-sector and hospital medical laboratories. However, the Ministry was not obtaining sufficient information to ensure that timely corrective action was being taken with respect to laboratories that were performing poorly. In addition, and as further discussed in Chapter 2, we did not receive all the information we needed (information that we have received in the past) to complete our audit work in this area due to a section in the *Quality of Care Information Protection Act, 2004* that came into force on November 1, 2004.
- *Providing English-as-a-second-language instruction to students:* Even though the Ministry of Education provided school boards with more than $225 million last year for English-as-a-second-language and related literacy programs, the Ministry had no information on how much school boards were actually spending in this area. One board we visited indicated that more than half of the funding received was actually spent on other areas. As well, the Ministry had little information on whether students were achieving the proficiency in English needed to be successful in their studies.
- *Issuing driver's licences and vehicle registrations:* The Ministry of Transportation relies on a network of 280 privately operated issuing offices to function as partners in issuing driver's licences and vehicle registrations. The Ministry was not exercising adequate oversight and control over its private-sector partners to minimize the risk of unsafe drivers obtaining or retaining a licence and of driver's licences and other documents going missing or being used for illegal purposes. As well, the Ministry must address the deterioration in relations that has occurred over the last few years between it and private issuing offices if the value of the private issuers' network in delivering front-line government services is to be maintained.
- *Providing child-care services:* Last year the Ministry of Children and Youth Services gave municipalities $575 million in grants that, in turn, were used to fund hundreds of community-based child-care centres. The Ministry was not providing sufficient guidance to child-care centres and was not adequately assessing the quality of care and developmental opportunities being provided so as to know whether child-care centres across

Ontario were delivering consistent and sound developmental programs.

In the case of two audits—land ambulances and charitable gaming—we requested separate external legal opinions as to who was responsible for ensuring that the objectives of the underlying legislation were being met: the government (through the Minister responsible) or the service delivery organization or municipality actually delivering the service. In both cases, the legal opinions we received supported our interpretation that the government was ultimately responsible.

SIGNIFICANT EXPANSION IN OUR MANDATE

For almost 15 years, this Office has been seeking amendments to the *Audit Act*, our enabling legislation, that would allow us to better serve the Legislative Assembly. I am very pleased to be able to report that amendments to the *Audit Act* were unanimously passed by the Legislature on November 22, 2004 and received Royal Assent on November 30, 2004.

The key amendment passed has expanded our value-for-money audit mandate to include organizations in the broader public sector that receive government grants, such as hospitals, school boards, colleges, universities, long-term-care facilities, and thousands of other smaller organizations. With over 50% of provincial expenditures going to these broader public-sector organizations, we felt for many years that it was essential for the Auditor General to have access to these organizations for the purpose of conducting value-for-money audits if we were to fully achieve our mandate of assisting the Legislature in ensuring that value for money is being received for *all* government expenditures. The Minister of Finance echoed this sentiment when the amendments to the *Audit Act* were tabled, as he stated that, with these amendments:

> we will allow the public watchdog to shine a light on more of those organizations that spend taxpayer dollars as a key means to ensuring that Ontarians are getting value for the money they invest in their public services.

In addition, since my last Annual Report, the Legislature has passed two Acts, the *Government Advertising Act, 2004*, and the *Fiscal Transparency and Accountability Act, 2004*, that further expand the work of the Office.

The *Government Advertising Act, 2004* requires that the Auditor General review and approve specific types of proposed government advertising and printed matter before they are run in the media. The primary purpose of the review by my Office is to ensure that the proposed advertisements are not partisan in nature. We expect this Act to be proclaimed in fall 2005, at which time our review and approval process would begin.

The *Fiscal Transparency and Accountability Act, 2004* requires that the government prepare and release a pre-election report about Ontario's finances. The Act also requires that the Auditor General promptly review the pre-election report to determine whether it is reasonable and release a statement describing the results of the review. Bill 214, proposed legislation currently being considered by the Legislature, would, if passed, result in provincial elections at a maximum of four-year intervals on the first Thursday in October, starting on October 4, 2007 (unless a general election has been held sooner). If Bill 214 is passed, our first review of the government's pre-election report would likely occur in summer 2007.

Further details on amendments to the *Audit Act* and on the above two Acts, as well as the Auditor General's increased responsibilities under them, are discussed in Chapter 2.

The Challenge of Our Expanded Mandate

Understandably, our recently added responsibilities—particularly the significant expansion of our value-for-money mandate—will require additional, as well as more specialized, staff resources in certain areas. With this in mind, we sought approval from the Legislature's all-party Board of Internal Economy to increase our staffing levels from 95 staff to 105 staff and requested an increase in our annual budget to $12,679,000 for the 2005/06 fiscal year. In May 2005, we were advised that the Board had approved estimates for the Office's 2005/06 fiscal year in the amount of $12,552,200. We had also advised the Board in our submission that the additional funding being requested was the first step in a planned multi-year expansion of the Office that will be necessary if we are to fulfill our increased statutory responsibilities.

Despite this initial financial support, my Office still faces ongoing difficulty in attracting and retaining professional accounting and auditing staff in the extremely competitive Toronto job market. Discussions with public accounting firms and professional recruitment firms, as well as our own recruitment efforts, have confirmed that the demand for such staff has rarely been as competitive as it is now. While we offer an interesting and challenging work environment, we are constrained by the requirement under the *Auditor General Act* that our salary levels be comparable to similar positions in the Ontario government. Unfortunately, Ontario government salary ranges and annual merit pay policies are not competitive with those in the private sector and in the broader public sector. While we were able to complete and report on 14 value-for-money audits and fulfill our financial-statement audit responsibilities in a timely and professional manner this year, our continued ability to meet both our ongoing and new responsibilities will be largely dependent on our ability to attract and retain top-notch staff.

ACKNOWLEDGMENTS

The Office expresses its sincere appreciation to the staff at the ministries, agencies, and other entities we audited this past year for their co-operation in providing Office staff with the information and explanations required during the performance of the Office's audit work.

The Auditor General and the Deputy Auditor General also extend their sincere appreciation to the staff of the Office for their dedication and their professionalism and for a job well done.

Value-for-money Audit Summaries

The following are summaries of the 14 value-for-money audits reported on in Chapter 3 of this Annual Report. For all audits reported on in Chapter 3, we made a number of recommendations for improvement and received commitments from the relevant ministries that they would take action to address our concerns.

3.01 AMBULANCE SERVICES—AIR

As with land ambulance services, the provision of air ambulance services in Ontario is governed by the *Ambulance Act*, under which the Minister of Health and Long-Term Care must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances." The air ambulance program was established in 1977 to serve remote areas primarily in northern Ontario that are inaccessible to land ambulances or that land ambulances would take too long to reach. Ministry expenditures for the air ambulance program totalled approximately $93 million in the 2004/05 fiscal year.

We found that the Ministry needs to take action to ensure that its expectations for the delivery of air ambulance services, including patient care, are being met in a cost-effective manner. In particular, we noted the following:

- Although the Ministry had implemented a recommendation from our last audit to establish dispatch reaction-time standards, it was not monitoring actual dispatch reaction times against the standard. In addition, the Ministry only monitored the reaction times of certain air ambulance operators, and for these operators contractual reaction times were met only between 38% and 67% of the time.
- In about 70% of the service reviews we examined, the Ministry certified air ambulance operators even though either the operator had clearly not met the certification criteria or it was not certain whether the operator had met the criteria. In addition, we saw little evidence of follow-up to ensure that identified deficiencies had been corrected.
- The percentage of helicopter calls being cancelled after the helicopter has already been dispatched has been increasing, from about 27% in the 2003/04 fiscal year to 33% in 2004/05. The Ministry has not formally analyzed the reasons for the high level of cancellations to determine whether changes to the dispatch process were required. Aside from the costs associated with cancelled flights, dispatched helicopters are generally unavailable to respond to another call, and therefore reaction times for subsequent patients may be increased.
- One key recommendation arising from a 2003 accreditation review of the air ambulance program, that a clear line of authority be established to better ensure consistent quality in the delivery of air ambulance services, had not yet been satisfactorily implemented.

3.02 AMBULANCE SERVICES—LAND

Under the *Ambulance Act*, the Minister of Health and Long-Term Care must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances." On January 1, 2001, responsibility for providing land ambulance services was transferred from the province to the 40 upper-tier municipalities and 10 designated delivery agents in remote areas (municipalities). Under the *Ambulance Act*, municipalities are responsible for "ensuring the proper provision of land ambulance services in the municipality in accordance with the needs of persons in the municipality." However, the Ministry is responsible for ensuring that minimum standards are met for all aspects of ambulance services.

The Ministry of Health and Long-Term Care funds 50% of approved eligible costs of municipal land ambulance services, and 100% of the approved costs of ambulance dispatch centres, ambulances for the First Nations and territories without municipal organization, and other related emergency services. In the 2004/05 fiscal year, ministry expenditures on land ambulance services were approximately $358 million, including $241 million provided to municipalities for land ambulance services.

We found that the Ministry needed to take additional action to address many of the challenges identified in our 2000 audit of Emergency Health Services and the related recommendations made subsequently by the Standing Committee on Public Accounts. Specifically, the Ministry had not ensured that municipally operated land ambulance services were providing integrated and balanced service across the province. We noted that:

- Municipal boundaries could impact the delivery of health services. For example, at the time of our audit, at least two municipalities were not participating in the Ontario Stroke Strategy and were not transferring patients to the nearest stroke centre because it was outside their respective boundaries.

- The Ministry was not determining whether transfers of patients between institutions were performed in the most appropriate and cost-effective manner, which can result in delayed patient treatment or longer-than-necessary hospital stays.
- Ambulance response times increased in about 44% of municipalities between 2000 and 2004, even though the Ministry has provided about $30 million in additional funding. In addition, 64% of municipalities did not meet their legislated response times in 2004, even though the requirements were based on meeting their actual 1996 response times. Also, 15 of the 18 dispatch centres that reported information did not dispatch ambulances within the time required by the Ministry. Despite a previous recommendation by the Standing Committee on Public Accounts, response times are still generally not publicly reported.
- Total provincial and municipal costs of providing land ambulance services increased by 94% over four years, from $352 million in the 1999/2000 fiscal year to $683 million in 2003/04. However, total ambulance calls involving patients remained at about the same level.
- The current division of responsibilities and funding of land ambulance services, as well as significant differences in funding levels among municipalities (varying from $57 to $150 per household among 12 municipalities), can result in varying levels of service across the province for people with similar emergency-care needs living in similar municipalities.
- For about 40% of all high-priority ambulance calls province-wide, once the ambulance arrived at the hospital it took more than 40 minutes for the hospital to accept the patient.
- While service reviews of ambulance operators were generally conducted within the required three-year period, reviews conducted between 2002 and 2004 indicated that over 40% of all operators failed to meet certification standards, even though they received advance notice of the review.

3.03 CHARITABLE GAMING

The Alcohol and Gaming Commission of Ontario (Commission) regulates charitable gaming in Ontario, with a mandate to ensure that the games are conducted in the public interest, by people with integrity, and in a manner that is socially and financially responsible.

The Commission estimates that the public wagered approximately $1.6 billion on charitable gaming province-wide in 2003. Charitable gaming in Ontario benefits thousands of local community charitable organizations, which received net revenues estimated by the Commission at $246 million for 2003.

The Commission regulates charitable gaming using a framework of legislation and policies, supplier and employee registrations, licensing of lottery events, inspection, and enforcement. Annually, the Commission registers about 9,600 businesses and individuals, and issues about 2,600 lottery licences, chiefly for province-wide or large-dollar events. The province has granted municipalities the authority to issue licences, and they issue about 43,000 licences annually for smaller local lottery events.

In the 2003/04 fiscal year, the Commission spent approximately $11 million on its charitable gaming–related regulatory activities, and received approximately $30 million in fees from charitable gaming sources.

Municipalities issue close to 95% of the charitable gaming licences issued in Ontario. Since the Commission believes that it does not have the legislative authority to oversee municipal licensing activities, it had not established any processes for doing so. However, we believe that the Commission's interpretation of its legislative authority is overly narrow. Without appropriate oversight of and co-ordination with municipalities' licensing activities, the Commission cannot, for instance, effectively ensure that charitable organizations are getting the gaming proceeds that they are entitled to.

We also noted several areas in which the Commission-delivered regulatory activities required strengthening:

- While the Commission has generally established good regulation requirements to assess the character, financial history, and competence of the key players in the charitable gaming industry, it did not ensure that these requirements were consistently met or that registrants adhered to the terms and conditions of registration.
- Procedures were often not followed in assessing an organization's eligibility for a licence and ensuring that lottery proceeds were used for approved charitable purposes.
- The Commission had not established formal policies and a risk-based approach for conducting inspections and enforcement with respect to charitable gaming activities, nor had it informed municipalities of the results of inspections and investigations carried out in their jurisdictions.
- In 1997, the Management Board of Cabinet provided funding to strengthen controls over the production and distribution of break-open tickets. However, many of the key controls were never put in place.

3.04 CHILD CARE ACTIVITY

The Ministry of Children and Youth Services administers the Child Care Activity (Activity) under the authority of the *Day Nurseries Act*. The Activity's main responsibilities include inspecting, licensing, and monitoring child-care operators that care for more than five children to promote quality child-care services and ensure the health and safety of the children in care. Most of the Child Care Activity is administered by 47 consolidated municipal service managers (CMSMs), which manage and co-ordinate funding and programs in their respective jurisdictions.

The Ministry subsidizes child-care costs for children of parents in need (subject to available funding); provides additional financial support for the care of children with special needs; and provides funding for community-based resource centres offering various programs for parents and children. For the 2004/05 fiscal year, ministry child-care expenditures totalled $575.4 million.

We concluded that if the Ministry is to ensure that licensed child-care centres are providing children with adequate early opportunities for learning and for physical and social development, it must better define and communicate program expectations to the centres and systematically monitor and assess their implementation. Some of our observations included:

- Ontario has not yet developed adequate curriculum guidance to help child-care centres deliver consistent and comprehensive developmental programs.
- The *Day Nurseries Act* and ministry-developed information materials provide little specific direction to individuals providing child care. What direction is provided is subject to broad interpretation and sometimes missing critical updates.
- While the timeliness of licensing inspection has improved since our last audit, the tools used by ministry staff to assess program delivery require these staff to exercise a significant degree of discretion and interpretation. Many ministry staff responsible for licensing and monitoring program delivery do not have an early childhood education background or equivalent experience, and would therefore benefit from additional guidance.

- The licensing checklists used during the Ministry's annual inspections of child-care facilities addressed health and safety issues, but did not adequately assess the quality of care or developmental opportunities provided.
- Funding inequities contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover, further raising the risk that child-care services provided are not of a consistently high quality across the province.

We also concluded with respect to funding that the Ministry's policies and procedures did not ensure that transfer payments to CMSMs were based on an appropriate assessment of sufficiently detailed financial and operational information and adequately controlled. Many of our observations and recommendations on funding issues in this report are similar to those reported in 1999 and 1995. Although the Ministry agreed to take corrective action in previous years, sufficient action has not been taken.

3.05 DRIVER AND VEHICLE PRIVATE ISSUING NETWORK

The Ministry of Transportation's Road User Safety division has as one of its goals improving the accessibility of products and services relating to driver and vehicle licensing. The most significant channel for delivering such products and services are the 280 privately operated "issuer" offices, which are located in communities throughout the province and are collectively known as the Private Issuing Network (PIN). The PIN processes almost 19 million transactions annually, including approximately 80% of Ontario's vehicle-registration transactions and 40% of its driver-licensing transactions. In the 2004/05 fiscal year, the PIN collected on the government's behalf over $766 million in revenue for driver and vehicle products and services.

The Ministry and the government view the PIN as a strategic asset of significant value for delivering front-line government services. However, several factors have contributed to a deterioration in relations between the Ministry and the PIN over the last several years, with the result that the two parties are now more adversaries than partners. Some of our more significant observations in this regard and with respect to the quality of services delivered to the public include the following:

- Issuer compensation has not been increased since 1997, and many low-volume issuers appear to be struggling for their financial survival.
- Policies and procedures developed by the Ministry were not applied consistently across the PIN, primarily because almost 90% of issuing offices were operating under an older contract that does not require adherence to several requirements that have been incorporated in a newer contract governing a small minority of issuers.
- Issuers requiring help from the Ministry's call centers often experienced delays, and ministry call-centre operators were not available to take calls approximately 40% of the time.
- Although the government had estimated that, by 2006, 45% to 77% of all plate-renewal transactions would be conducted over the Internet, less than one-fifth of 1% were processed over the Internet in 2004. As well, until they are integrated with licensing systems, Internet transactions cost more to process than issuers are paid to process the same transactions.
- A significant decrease in the number of annual full audits being conducted of issuing offices, as well as weaknesses in system and supervisory controls, meant that the Ministry:
  - was not adequately managing the risk of issuers manipulating transactions to, for example, generate additional commissions or create fraudulent driver's licences; and

  - was not ensuring that temporary driver's licences and other stock were not going missing and being used for illegal purposes.
- Controls to ensure that licensed drivers were actually insured and that only eligible drivers obtained Disabled Person Parking Permits were also weak.

3.06 DRIVER LICENSING

The Ministry of Transportation's (Ministry) Road User Safety Division's driver-safety-related responsibilities include setting road safety standards and monitoring and enforcing compliance with these standards; working to reduce unsafe driving behaviour, such as impaired or aggressive driving; licensing drivers; and maintaining driver information. During the 2004/05 fiscal year, the Ministry spent $173 million on its Road User Safety Program, while its licensing and registration activities generated approximately $950 million in government revenues. Over 4.7 million driver's licences are issued or renewed every year.

We concluded that the Ministry needs to strengthen its systems and procedures if it is to ensure that only legitimate and safe drivers are licensed to drive in Ontario. The difficulties of maintaining a very old and complex computer information system and improving its ability to meet users' needs have undoubtedly contributed to the Ministry's challenges in this regard. Our specific concerns included the following:

- Some of the identification documents accepted when someone applies for a new driver's licence were of questionable reliability. For instance, such items as membership cards for wholesale warehouse clubs and employee or student cards without photos were accepted as one of the two required identification documents.
- Improvements were needed to ensure that only individuals entitled to an Ontario driver's licence have one. Specific areas for improvement were the procedures for identifying potentially fraudulent or duplicate driver's licences and for exchanging licences from other provinces for an Ontario driver's licence.
- While programs relating to drinking and driving appear to have been successful in contributing to road safety, we found deficiencies in ministry programs and procedures with respect to dealing with drivers who were at fault in three or more collisions within a two-year-period, drivers who continued to drive with a suspended licence or whose licence was suspended multiple times, young offenders, and drivers over 75 years of age.
- We found weaknesses in the measures taken to protect the integrity and confidentiality of drivers' personal information.
- The Driver Licence System did not always calculate demerit points accurately; accordingly, driver suspensions were not always generated automatically as intended.
- The Ministry had not developed adequate policies and procedures to deal with prospective and existing driver examination service-provider employees with criminal records.

3.07 ENGLISH AS A SECOND LANGUAGE AND ENGLISH LITERACY DEVELOPMENT

Each year, Ontario receives an average of approximately 17,000 school-age immigrants who speak little or no English or French. The Ministry of Education (Ministry) provides grants to school boards for English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) programs.

The Ministry's overall goals for ESL/ELD programs are to assist students in developing the English literacy skills they require to achieve success at school, in postsecondary education, and in the workplace on an equal basis with their peers whose first language is English. While school boards are responsible for designing and implementing the programs and services needed to achieve these goals, the Ministry is ultimately accountable for the quality of the education system.

We found that while the Ministry provides school boards with more than $225 million a year of ESL and ELD grants, there was a lack of oversight of ESL/ELD program delivery. In particular, the Ministry had no information about whether students whose first language is not English were achieving appropriate proficiency in English. In addition, the Ministry had no information on how much school boards were actually spending on ESL/ELD programs. One board we visited indicated that more than half of its ESL/ELD funding was spent on other areas.

The considerable discretion that school boards and in some cases individual schools have with respect to ESL/ELD programs increases the risks of students with similar needs receiving different levels of assistance. In addition, the lack of a centrally co-ordinated process to develop ongoing training programs for teachers and various instructional aids results in under-investment and possible duplication of effort.

We also found that:

- The Ministry had not established a measurable English-proficiency standard that ESL/ELD students should attain before ESL/ELD services are discontinued. Some teachers we interviewed were concerned that services were discontinued prematurely due to budget considerations.
- There was a lack of tools to help teachers properly assess students' progress in achieving English proficiency and determine whether additional assistance was needed.
- The Ministry has supplied little guidance on implementing its recommendation that teachers modify the standard curriculum expectations for, and provide accommodations (for example, extra time on tests) to, ESL/ELD students. The lack of guidance has resulted in inconsistent practices. In addition, the lack of documentation on accommodations provided meant that parents, principals, and school boards could not evaluate the appropriateness of the modifications and accommodations or their impact on marks.
- The Ministry was not ensuring that the ESL/ELD funding policy targeted students most in need of assistance, which may have resulted in inequitable funding allocations among school boards.

In 2004, the government established the Literacy and Numeracy Secretariat. The Secretariat specifically identified ESL students as a group that continues to struggle. In its May 2005 strategy document, the Secretariat states that its key purposes include strengthening the focus on literacy and numeracy, and sharing successful practices among schools and districts. Each of these directly relates to the concerns noted during our audit.

3.08 HEALTH LABORATORY SERVICES

Under the *Laboratory and Specimen Collection Centre Licensing Act*, the Ministry of Health and Long-Term Care licenses and regulates Ontario's 191 hospital and 45 private medical laboratories, and these laboratories' 341 specimen-collection centres. In addition, the Ministry has a contract with the Ontario Medical Association (OMA) to operate a quality-management program to monitor and improve the proficiency of licensed laboratories, which includes evaluating the quality and accuracy of testing performed in all licensed laboratories, and conducting laboratory accreditation.

During the 2003/04 fiscal year, the Ministry spent $1.3 billion on laboratory services. Hospital laboratory expenditures totalled $730 million; $541 million was paid to private-sector laboratories, with three companies receiving over 90% of these payments; and the OMA received $3.7 million to operate the quality-management program.

A scope limitation imposed by the *Quality of Care Information Protection Act*, which came into force on November 1, 2004, prevented us from fully assessing whether the Ministry had adequate processes in place to ensure that private-sector and hospital laboratories were complying with applicable legislation and established policies and procedures. Specifically, we were prohibited from examining the OMA's quality-management program or the Ministry's monitoring of this program after October 31, 2004, and therefore we were unable to determine whether the quality-management program for laboratory services was functioning as intended after that time. However, we were able to determine that, for the most part, the Ministry had adequate procedures to ensure that specimen-collection centres were complying.

Given the considerable responsibility that the Ministry delegates to the OMA for assessing the quality of laboratory services, it is vital that the Ministry obtain adequate information to assess whether the OMA is fulfilling its responsibilities to the degree needed to ensure quality patient care. However, based on information available to October 31, 2004, we found that the Ministry was not obtaining sufficient and timely information on laboratories that performed poorly and did not ensure that timely corrective action was always being taken. Our specific concerns included:

- Although laboratories were notified in advance that a specimen sample was part of the OMA's quality-management program, the number of significant errors being made when testing those samples had increased.
- The Ministry was not normally notified that a laboratory was producing inaccurate or questionable test results (that is, significant and lesser errors) for certain types of tests until the laboratory had been performing poorly on its external quality-assessment tests for between two and four years.
- As noted in our *1995 Audit Report*, the *Laboratory and Specimen Collection Centre Licensing Act* allows laboratories in physicians' offices to conduct only *simple* laboratory procedures, whereas a regulation under the Act effectively allows physicians to conduct *all* laboratory tests. Nevertheless, we remain concerned that laboratories in physicians' offices are not subject to the quality-assurance provisions that apply to other laboratories.
- No integrated system was in place to make laboratory test results accessible to all health-care providers, which could result in duplicate testing and delays in patient treatment.
- An inter-provincial study estimated that Ontario's per-capita spending on all laboratory services in the 2001/02 fiscal year was the second highest in Canada. Despite high costs, the Ministry:
  - had not periodically reviewed or studied on an overall basis whether laboratory tests that were conducted were appropriate or necessary, even though other jurisdictions had noted concerns in these areas and had found that best-practice guidelines could significantly improve laboratory utilization; and
  - had not analyzed the underlying actual costs of providing laboratory services so that this information could be utilized in negotiating the fees to be paid for private laboratory services.

With respect to well-water testing by public-health laboratories, we noted that the report of the results of well-water testing issued to well owners does not clearly state that well water that is reported to have no significant evidence of bacterial contamination may still be unsafe to drink due to chemical and other contaminants.

3.09 MINES AND MINERALS PROGRAM

The Mines and Minerals Program/Division of the Ministry of Northern Development and Mines is responsible for the administration of the *Mining Act*, which sets out the Ministry's responsibilities for all phases of mining in the province, from exploration to mine development, operation, and closure. The purpose of the Act is to encourage prospecting, claims staking, and exploring for the development of mineral resources, as well as to minimize the impact of these activities on public health and safety and the environment through the rehabilitation of mining lands.

The Ministry provides province-wide geological maps, on-line access to geoscience information, and geological advisory services in field offices throughout the province, and promotes Ontario mining development opportunities in domestic and international markets. During the 2004/05 fiscal year, the Ministry employed approximately 200 staff and spent $35.5 million to carry out these and other program activities.

Due largely to the quality of the maps and advisory assistance it provides, the Ministry is generally seen by its stakeholders as contributing to the success of the mining industry in Ontario. However, the Ministry did not have adequate procedures in place to ensure compliance with legislation and its internal policies or to measure and report on its effectiveness. For instance:

- To maintain a mining claim in good standing, the holder must perform certain exploration work, referred to as assessment work, and must report this to the Ministry. We found that the Ministry's review of assessment reports was not sufficient to ensure that only allowable exploration expenditures were approved.
- We noted several cases where claims were forfeited because the required assessment work had not been carried out to keep the claims in good standing, and the same people who had their claims forfeited reclaimed the lands as soon as they became open for staking. A situation where a claim-holder can in effect indefinitely retain mining rights by continually reclaiming them after they are forfeited—without performing any assessment work—is contrary to the intent of the *Mining Act*.
- To keep geological information sufficiently current and relevant, the Ministry has determined that it needs to map all areas of significant mineral potential over a 20-year period, or about 15,000 square kilometres annually. However, due to difficulties in completing mapping projects on a timely basis and to resourcing issues, the Ministry had mapped only about 8,000 square kilometres annually. In addition, the Ministry did not have a project management system to periodically report on the status of active projects.
- As of March 2005, closure plans, which commit mine owners to providing financial assurance sufficient to rehabilitate mine sites and return them to their former state without harmful effects on the environment, were not in place for 18 of the 144 mine sites that were required to have them. Also, the Ministry was not periodically reviewing whether the closure-cost estimates and financial assurances are still sufficient to properly close out the mine.
- At the time of our audit, the Ministry had identified more than 5,600 abandoned mine sites and had estimated that 4,000 of these sites were potentially hazardous to the environment and public health. The Ministry did not have the information needed to assess the risk of water and soil contamination around abandoned sites.

3.10 OFFICE OF THE CHIEF ELECTION OFFICER

The Office of the Chief Election Officer, known as Elections Ontario, is an independent agency of the province's Legislative Assembly. Under the *Election Act*, the Lieutenant Governor in Council appoints a Chief Election Officer on the recommendation of the Legislative Assembly. The responsibilities of the Chief Election Officer include the organization and conduct of general elections and by-elections in accordance with the provisions of the *Election Act* and the *Representation Act, 1996*, and the administration of the *Election Finances Act*.

Total expenditures incurred by Elections Ontario related to the *Election Act* more than doubled in the four years leading up to and including the 2003 election compared to the four years leading up to and including the 1999 election. As a legislative office, Elections Ontario is independent of government. However, unlike other legislative offices, it is not required by its enabling legislation (the *Election Act*) to submit a budget to, or receive approval from, the Board of Internal Economy for the vast majority of its expenditures. Furthermore, there is also no requirement for Elections Ontario to report annually on its activities.

The results of our audit work indicated that more care is needed in certain areas in the spending of taxpayer funds. In particular, we noted that Elections Ontario:

- did not have adequate procedures for acquiring and managing consulting services, as we noted a number of instances where:
  - the process followed did not ensure fair and open access;
  - assignments were not clearly defined, leading to significant increases in cost; and
  - assignments or their extensions did not have a written contract or agreement;
- had not assessed whether running its own public call centre to handle calls from the public was the most economical means of providing the service;
- did not adequately consider all options to ensure that the $4.4 million paid over 49 months to lease computer equipment was cost effective; and
- did not always ensure that hospitality and travel expenses were incurred with due regard for economy.

The federal chief election officer and chief election officers in several other provinces are required to report annually to Parliament/the Legislature and include all or most of their expected expenditures in an annual appropriation request. Given the fact that Elections Ontario's annual expenditures have increased substantially over the last few years—and that budgeted expenditures over the next three years are projected to be approximately $119 million, of which approximately $100 million would not be submitted to the Board of Internal Economy for approval—increased legislative oversight of Elections Ontario through the processes of appropriations approval and annual reporting warrants consideration.

3.11 OFFICE OF THE REGISTRAR GENERAL

The Office of the Registrar General (Office) registers births, deaths, marriages, stillbirths, adoptions, and name changes and provides certificates and certified copies of registrations to the public. Each year, approximately 300,000 events are registered and 400,000 certificates and certified copies are issued. In the 2004/05 fiscal year, the Office had operating expenditures of over $30.3 million and collected $19.6 million in fees for issuing certificates.

Until a few years ago, the Office registered all vital events and provided the public with timely and reliable service for all document requests. However, due largely to significant and continuing problems with a new computer system and human resources issues, the turnaround time for getting essential documents, formerly about three weeks, increased to several months, even a year or more, despite more than a doubling of staff. At the time of our audit, the Office indicated that the situation had improved; however, we found that it often still took months to obtain certificates.

We concluded that significant improvements were required in a number of key areas. For instance:

- The Office's call centres were not effective in handling the public's inquiries and complaints—

99% of calls either produced busy signals or were disconnected before callers could reach someone to help them.

- Prudent business and information technology practices were not being followed in the acquisition, development, and implementation of a new computer system. As of March 2005, the system had cost over $10 million—more than $6 million above the original estimate of $3.75 million. Furthermore, the system was implemented before it was ready, with numerous outstanding work orders and without many of the necessary capabilities in place.
- Staff morale and productivity had declined significantly because of a poorly planned organization restructuring and questionable promotion practices. Specifically, a new level of managers was appointed, without competition or job specification. Clerical staff with little management experience were appointed to supervise existing managers to whom they used to report. None of the existing managers was given an opportunity to compete for the new positions.
- There were inadequate controls to safeguard registration information from unauthorized access and from loss in the event of a disaster.

3.12 ONTARIO PROVINCIAL POLICE

Under the *Police Services Act*, the Ontario Provincial Police (OPP) primarily provides patrols on all provincial highways, waterways, and trail systems; front-line police services in smaller rural communities that do not have their own municipal police service; emergency support services to all communities in Ontario; support for complex criminal and organized crime investigations, as well as intelligence with respect to anti-terrorism activities; and laboratory services in support for criminal investigations. The OPP maintains 79 local detachment offices and 87 satellite offices (which report to one of the detachments) throughout the province.

With approximately 5,500 uniformed officers, 1,800 civilian employees, and 800 auxiliary officers, the OPP is one of North America's largest deployed police services. For the 2004/05 fiscal year, OPP expenditures before municipal recoveries (costs paid by municipalities for policing services) totalled $733.2 million.

While several issues from our last audit—such as the use of overtime and billings to municipalities—have been largely addressed, in other areas—such as staff deployment, shift scheduling, and the implementation of community-oriented policing principles—much work remains to be done. Our specific concerns included the following:

- The assignment of officers to detachments and the scheduling of work shifts at detachments did not take into account actual total workload and the optimal match between the number of officers on duty and the demand for police services. Also, the Differential Response Unit was not fully implemented province-wide to free up officer time to respond to more serious calls for service.
- There was little evidence that the objectives of community-oriented policing were being met at some detachments, and detachments had little guidance for implementing community-oriented policing consistently. In addition, no internal measures were in place to evaluate its effectiveness.
- There were no provincial standards for what an adequate level of traffic patrol should be. Therefore, traffic patrol was often not a high priority and was found to vary, at times significantly, from detachment to detachment and region to region.
- Even though the collision rate for OPP vehicles was high and the OPP classified approximately half of these collisions as preventable, no periodic and/or remedial driver training was being provided.

- We found weaknesses with respect to adherence to requirements relating to seized property and drugs and the storage of armaments.

3.13 RECOVERY OF HEALTH COSTS RESULTING FROM ACCIDENTS

The Ministry of Health and Long-Term Care has the legal authority to recover the medical and hospital costs incurred in treating people injured in non-automobile accidents (for example, slips and falls, medical malpractice, and product and general liability) caused by someone else. A subrogation unit of 21 staff pursues cost recoveries. The unit spends about $2.5 million annually to pursue an average of 13,000 active case files, recovering about $12 million a year (net of legal costs).

Until 1990, the Ministry's right of recovering such costs also extended to injuries arising from automobile accidents where a driver insured in Ontario was found at fault. Due to changes in the *Insurance Act*, that right was eliminated, and between 1990 and 1996 no amounts were recovered. In 1996, the *Insurance Act* and related regulations were amended to require automobile insurers to pay an annual "assessment of health system costs" (assessment) in lieu of having the province pursue individual claims against at-fault drivers. The Financial Services Commission of Ontario has collected about $80 million annually since 1996 from automobile insurance companies through the assessment under the *Insurance Act*, which is administered by the Ministry of Finance.

We believe that the ministries of Health and Long-Term Care and Finance could potentially recover twice as much as they do now, perhaps in excess of $100 million a year more. However, to accomplish this, they will need better information on recoverable health costs actually being incurred by the province. Our particular concerns included:

- The Ministry of Finance advised us that, in view of the instability of auto insurance rates and the potential negative effect on premiums, it has not changed the $80-million annual assessment charged to the automobile insurance industry since its introduction in 1996. As a result, Ontario's levy per registered vehicle is now among the lowest of the provinces, despite the fact that Ontario's health costs have risen 70% since 1996. Our review of available information led us to conclude that the actual recoverable health costs incurred are considerably higher than what is currently being recovered from the annual assessment and that Ontario recovers proportionately less than most other provinces.
- The Ministry of Health and Long-Term Care did not have information systems or processes to collect and analyze health-care costs and insurance industry data to quantify the extent and costs of non-automobile accident cases not reported.
- Much more could be done to identify unreported cases that may justify cost recovery. Ministry staff acknowledged that many cases in which they may have an interest go unreported. Hospitals alone incurred costs of over $500 million in 2004 to treat more than 38,000 people injured in slips and falls, but the Ministry was recovering costs from only about 2,800 such cases annually. The potential for increased recoveries is thus substantial, even though there has been no study of the proportion of these accidents that is attributable to third-party negligence.
- In calculating recoveries of hospital-care costs, the Ministry did not use the uninsured hospital rates charged to non-residents receiving treatment here, as required by the legislation. Instead, it used the Interprovincial Hospital Billing rates, normally charged to other Canadians injured in Ontario, which are, on average, 77% lower.
- The Ministry also needs to review the feasibility and cost effectiveness of alternative recovery methods, such as bulk subrogation agreements

with liability insurers similar to the automobile insurance assessment, as a way of increasing recoveries of health costs arising from non-automobile accidents.

3.14 TEMPORARY HELP SERVICES

The Ministry of Government Services, formerly Management Board Secretariat, is responsible for the development of government-wide policies on planning, acquiring, and managing temporary help required by the government.

At the time of our audit, about 4,400 people working in the Ontario government were not employees of the province. Most were temporary help workers, employed either directly by a government ministry or through a private-sector temporary help agency. In the 2003/04 fiscal year, government-wide expenditures on temporary help services were reported to be $43.1 million and over the last 10 years totalled $460 million.

In four of the five ministries we selected for detailed testing, we found non-compliance with government procurement policies for temporary help services. In the fifth, the Ministry of Community and Social Services, we concluded that adequate procedures were in place for some aspects of temporary help procurement, although improvements were still needed in other areas.

Specifically, we noted the following:

- Despite a government policy that, with few exceptions, limits the tenure of temporary help employees to six months, more than 60% of the temporary staff we tested had been working in the government for more than six months, and 25% had been there more than two years. One temporary employee had worked for the government continuously for more than 12 years.
- The temporary help engagements we tested were sole-sourced, with no quotes from other vendors, and none were competitively tendered. Over half of these arrangements resulted in payments exceeding $25,000, the threshold for which a competitive process is required. Since 1999, tens or even hundreds of millions of dollars may have been spent without a competitive process in place.
- We noted significant differences in the rates charged by various temporary help agencies, suggesting that ministries could have obtained the same services for less had they shopped around. We also found that overall, the temporary agency staff that we reviewed were paid more—sometimes substantially more—than comparable government employees.
- In the 2003/04 fiscal year, the province paid one temporary help agency $10.5 million, including almost $4 million from the former Management Board Secretariat. We were informed that a former employee of the Secretariat runs this agency. Another agency, run by a former Ministry of Health and Long-Term Care employee, collected almost $700,000 from that ministry during the 2003/04 fiscal year. A perception of unfair advantage can be created when government ministries award significant business to entities run by former government employees without a competitive process.
- We found that a number of temporary employees were listed as secondments from organizations, such as hospitals, that received provincial funding from the Ministry of Health and Long-Term Care. However, many of these individuals were recruited by the Ministry and put on the payroll of, for example, a hospital that was then allocated increased provincial funding to cover the salaries of such secondments. Consequently, money that was recorded as hospital operating expenditures was actually being spent on other health-care programs and ministry administration instead.

Chapter 2

Towards Better Accountability

Chapter 2 of my *Annual Report* has traditionally addressed issues of accountability in government. This year, the chapter focuses primarily on three new pieces of legislation that expand the mandate and work of the Office of the Auditor General (Office). The chapter also highlights an access-to-information issue that I believe should be brought to the attention of the Legislature. Finally, I outline recent efforts to improve results measurement in the health-care sector.

The New *Auditor General Act*

Amendments to the *Audit Act* were last made in 1978. Principal among the changes in 1978 was an amendment that provided the Office with the authority to perform value-for-money audits of ministries and Crown agencies. It did not, however, extend this mandate to other bodies, such as hospitals, universities, colleges, school boards, and thousands of smaller, separately governed organizations that receive government grants. The Office has for many years used the term "value for money" to describe the Auditor's responsibility to report on any cases where it was observed that money was expended without due regard to economy and efficiency, as well as any observations regarding the adequacy of procedures undertaken by ministries and Crown agencies to measure the effectiveness of their programs.

With regard to organizations that received grants, the 1978 amendments allowed only for inspection audits, which restricted the Auditor to an examination of accounting records to determine whether grants were used for the intended purposes. While value-for-money–oriented observations could sometimes arise as a by-product of an inspection audit, the audits could not be value-for-money–focused. Based on the Office's experience in performing inspection audits of major grant recipients in the school-board, university, community-college, and hospital (SUCH) sectors from 1984 to 1991, the Office came to the conclusion that the legislated scope of such audits was too narrow to effectively serve as a vehicle for meaningful reporting to the Legislature.

On reaching this conclusion in 1989, the Office embarked on what has turned out to be a 15-year quest to have our legislation amended to authorize the Auditor to perform discretionary value-for-money audits of organizations that receive government grants. The major factor contributing to the Office's perseverance in seeking an expanded audit mandate was our firm belief that ongoing value-for-money audits of grant recipients and the reporting of the results of those audits to the Legislature would enhance the ability of legislators to hold grant-recipient organizations more accountable for the prudent expenditure of public funds. It should be noted that more than 50% of total government expenditures are transferred to organizations in the broader public sector. The 2005/06 Expenditure Estimates of the government indicate that the SUCH sector alone will receive an estimated $26 billion in operating and capital grants, representing almost one-third of the government's total estimated expenditure of $81 billion for the 2005/06 fiscal year.

Our efforts finally came to fruition in fall 2003, when I was advised that the Minister of Finance was willing to table amendments to the *Audit Act*. We were given the opportunity to provide our specific suggestions at that time for consideration by the Minister. On December 9, 2003, amendments to the *Audit Act* through Bill 18, the *Audit Statute Law Amendment Act*, were introduced by the Minister of Finance for first reading in the Legislature. The amendments were passed by a unanimous vote of all three parties in the Legislative Assembly, and they became law when they received Royal Assent on November 30, 2004. The major changes enacted by this legislation include:

- The Auditor General's value-for-money audit mandate has been expanded to include the thousands of organizations in the broader public sector that receive government grants. (The expanded mandate does not apply to grants to municipalities but it does allow the Auditor to examine a municipality's accounting records to determine whether a municipality spent a grant for the purposes intended.) The effective date of the expanded value-for-money mandate was April 1, 2005, for a reviewable grant received by the recipient directly or indirectly, on or after November 30, 2004, when the amendments received Royal Assent.
- The Auditor General now has the power to conduct value-for-money audits of Crown-controlled corporations, such as the new Hydro companies.
- The title of the Provincial Auditor has been changed to Auditor General.
- The title of the *Audit Act* has been changed to the *Auditor General Act*.
- The term of appointment of the Auditor General has been set to a fixed, non-renewable term of 10 years, instead of a term ending at age 65.
- The provision regarding the expression of an audit opinion on the financial statements of the province has been harmonized with professional assurance standards to require that the Auditor General render an opinion on whether the statements are fairly presented in accordance with generally accepted accounting principles.

Now that our scope of audit has been extended to organizations in the broader public sector that receive government grants, the Office will be commencing several value-for-money audits of such bodies in fall 2005. Accordingly, my *2006 Annual Report* to the Legislature will include the results of the first broader public-sector value-for-money audits.

One concern I have in utilizing this extension of our audit scope is the ongoing challenge we face in attracting and retaining professional staff in the competitive Toronto job market. The primary reason for this is our inability to offer competitive salaries to prospective and current audit staff. Particularly in the last couple of years, the market value of qualified auditors has increased significantly, yet we are constrained by the requirement in the *Auditor General Act* that our salary ranges be comparable to those for similar positions in the government. Unfortunately, there are no comparable government salary ranges for professional accountants and auditors that would reflect current market conditions. As a result, we continue to face high turnover and challenges in recruiting and retaining top-notch professional staff. As further discussed in Chapter 6 of this report, we returned over $1 million of our approved budget this year due to being continually understaffed.

Review of Government Advertising

As noted in Chapter 2 of my *2004 Annual Report*, the distinction between government and partisan advertising can sometimes be unclear. To deal with this issue, the government introduced Bill 25, known as the *Government Advertising Act*, on December 11, 2003. It was passed by the Legislative Assembly on December 9, 2004. All the sections of the *Government Advertising Act, 2004* (Act) are to come into force on a day to be named by proclamation of the Lieutenant Governor. It is anticipated that the Act will be proclaimed in fall 2005.

The Act makes the Auditor General responsible for reviewing specific types of advertising and public communications by government offices within a prescribed number of days before they can be published, broadcast, displayed, or distributed. The standards that advertising and printed items must meet include the following:

- The purpose of the item must be to inform the public of policies or available programs or services; inform the public of its rights and responsibilities under the law; encourage or discourage specific social behaviour in the public interest; promote Ontario or part of Ontario as a good place to live, work, invest, study, or visit; and/or promote an activity or sector of Ontario's economy.
- The item must not include the name, voice, or image of a member of the Executive Council or a member of the Assembly. This standard does not apply with respect to an item that has a primary target audience located outside Ontario.
- Most of all, the item must not be partisan—that is, it must not primarily aim to promote the partisan political interests of the governing party.

The Act exempts advertising and printed material on an urgent matter affecting public health or safety, public notices required by law, government of Ontario tenders, and job advertisements.

The Office of the Auditor General will have a prescribed number of days to notify the government office of the results of our review of proposed government advertisements. In cases where the Auditor General has deemed that an item does not meet the standards, the issuing government office can submit a revised version of the item to the Auditor General for a further review. Any item that does not, in the opinion of the Auditor General, meet the standards required by the Act cannot be used, and the Auditor General's decision is final.

The Auditor General can exercise discretion in setting up a review mechanism, which may include the appointment of an Advertising Commissioner. However, instead of appointing an Advertising Commissioner at this point in time, I chose to hold an open competition for advisers to assist and advise on the implementation of the Act and in the ongoing review of items submitted for review under the Act. The competition resulted in the engagement of two experts in the field:

- Rafe Engle is a Toronto lawyer who specializes in advertising, marketing, communications, and entertainment law. He is also the outside legal counsel for Advertising Standards Canada. Before studying law, Mr. Engle acquired a comprehensive background in media and communications while working in the advertising industry.
- Jonathan Rose is Associate Professor of Political Studies at Queen's University, where he is a leading Canadian academic on political advertising and Canadian politics. He has authored a book on government advertising in Canada and a number of articles and chapters on the way in which political parties and governments use advertising.

The Auditor General will report annually to the Speaker of the Legislative Assembly on any contraventions of the Act and on expenditures—both for government advertising generally and for the specific advertising items reviewable under the Act.

As my Office begins preparing to administer its new responsibility of reviewing proposed government advertising and printed matter, I would like to express my appreciation to the staff at Advertising Standards Canada, who have provided assistance and advice to my Office.

Legislation on Fiscal Transparency and Accountability

The *Fiscal Transparency and Accountability Act, 2004* (Act), which repealed and replaced the *Balanced Budget Act, 1999*, received Royal Assent on December 16, 2004. The Act requires the Executive Council to plan for a balanced budget each fiscal year unless it determines that it would be consistent with prudent fiscal policy to have a deficit in a given fiscal year as a result of extraordinary circumstances.

The Act also includes a requirement that the Minister of Finance publicly release:

- a multi-year fiscal plan in each year's Budget papers;
- a mid-year review of the fiscal plan;
- periodic updated information about Ontario's revenues and expenses for the current year;
- Ontario's economic accounts each quarter; and
- a long-range assessment of Ontario's fiscal environment within two years after each provincial election.

The Act also requires that, prior to an election, the Ministry of Finance publicly release a pre-election report about Ontario's finances. The Auditor General is required to review this pre-election report to determine whether it is reasonable and to release a statement describing the results of the review.

The deadline for the release of a pre-election report is to be established by regulation. We are working with the Ministry of Finance to ensure that the prescribed deadline will provide my Office with sufficient lead time to complete the required review of the report before the date of the next provincial general election.

RELATED PROPOSED LEGISLATION

The government has also taken steps under its democratic renewal initiatives to fix the dates for future general elections. In this regard, the government introduced Bill 214 for first reading on June 9, 2005. If passed, Bill 214 would, among other things, amend the *Election Act* so that provincial general elections would occur at four-year intervals on the first Thursday in October, starting October 4, 2007, unless the dissolution of the Legislature requires an earlier general election.

Limitations on Access to Information Imposed by New Health Information Protection Legislation

Section 10 of the *Auditor General Act* states that the Auditor General is entitled to free access to all information and records belonging to or in use by a ministry, government agency, or grant recipient that the Auditor believes necessary to perform his or her duties under the Act. Clause 12(2)(a) of the *Auditor General Act* states that the Auditor General shall report whether, in carrying out the work of the Office, all the required information and explanations were received.

In this regard, I regret to inform the Legislature that during our value-for-money audit of the Ministry of Health and Long-Term Care's Health Laboratory Services (see Chapter 3, Section 3.08), we did not have access to all the information we needed to fulfill our audit objective—namely, to assess whether the Ministry had adequate processes in place to ensure that medical laboratories were complying with applicable legislation and established policies and procedures. This limitation on the scope of our audit was imposed by the *Quality of Care Information Protection Act, 2004* (Act), which came into force November 1, 2004, and prohibits the disclosure of certain information. Specifically, except for certain purposes that do not include an audit by the Auditor General, the Act prohibits the disclosure of information collected by, or prepared for, a designated quality-of-care committee.

The issue arose on this particular audit because the Ministry contracts with the Ontario Medical Association (OMA) to assess the quality and accuracy of private-sector and hospital laboratory services, and in this capacity, the OMA is designated as a quality-of-care committee. My Office was therefore denied access to the work done by the OMA that was required for our audit and that we have always received in the past. While I recognize that the legislation is designed to encourage health professionals to share information more freely in a secure environment, I have concerns with respect to how it may limit our ability to do our work.

My concerns about this issue were first raised with the Ministry shortly after the legislation was introduced for first reading in the Legislature in December 2003. My Office explained the problems we anticipated and proposed a solution, both in a January 15, 2004 letter to the Ministry and, again, in a presentation to the Standing Committee on General Government on January 28, 2004. In addition, we met with ministry staff and corresponded with the Ministry, including the Minister, several times in an effort to seek a remedy to the conflict, all to no avail. More recently, we also met with the main stakeholder groups (representatives of the Ministry, the Ontario Medical Association, and the Ontario Hospital Association) to discuss our concerns with respect to our lack of access to information needed to fulfill our legislative mandate.

My Office proposed a solution under which we would continue to have access to information that was available to us prior to the coming into force of the Act, except for specific references to personal information, and the deliberations and minutes of a quality-of-care committee. This would respect the principle of creating a confidential environment for the exchange of ideas while still allowing my staff to access the information submitted to a quality-of-care committee, as well as the committee's decisions and recommendations. In my view, such access is necessary, for example, to allow my staff to review quality-of-care information provided for decision-making and to determine whether key recommendations made by such committees have been acted upon. This approach would be consistent with our access to Cabinet documents, where my staff do not have access to cabinet deliberations but do have full access to documents submitted to Cabinet and the final Cabinet minutes of decisions.

I have also emphasized how the confidentiality of any information provided to my Office is ensured by several legislated protections, including confidentiality restrictions in Sections 21 and 27 of the *Auditor General Act*. The *Auditor General Act* also states that our working papers cannot be laid before the Legislative Assembly or any of its committees, and my Office is not subject to the provisions of the *Freedom of Information and Protection of Privacy Act*. As a further safeguard, in the course of preparing our audit reports, we provide the draft report to senior management of the audited entity to allow them the opportunity to review and comment on the contents and to raise any concerns they may have. In short, many safeguards are in place to ensure the confidentiality of the information we collect over the course of all our audits.

In summary, I firmly believe that the *Quality of Care Information Protection Act, 2004* directly conflicts with the access-to-information-and-records provision in the *Auditor General Act*. However, the *Quality of Care Information Protection Act, 2004* provides for a legislative remedy in the event of a conflict between it and any other act. Accordingly, a workable solution would be to pass a new regulation under the *Quality of Care Information Protection Act, 2004* stipulating that under certain circumstances, the *Auditor General Act* prevails over the *Quality of Care Information Protection Act, 2004* and its regulations as follows:

> With the exception of references to personal information, the deliberations and the minutes of a quality-of-care committee, the *Auditor General Act* prevails over this Act and its regulations with respect to any quality-of-care information that is collected by or prepared for a quality-of-care committee, or is disclosed by a quality-of-care committee.

Because of my obligation to report all issues surrounding access to information and because of the potential negative impact that this restriction may have on our expanded mandate to perform future value-for-money audits of health-care facilities in the broader public sector, I concluded that it was necessary to bring this matter to the attention of the Legislature for its consideration.

Ontario's Health System Performance Report

In September 2000, Canada's Prime Minister and Premiers made a commitment to produce and publicly issue regular reports on the performance of their health systems, with each province and territory agreeing to report results on a number of comparable indicators on the health status of its population, its health outcomes, and the quality of its health services. As part of this process, each jurisdiction was to determine an appropriate level of third-party verification of the indicators and thereby provide assurance to the public on the reliability of the reported results. In that regard, my Office accepted a request from the Minister of Health and Long-Term Care to audit the health indicators included in Ontario's first report on the performance of its health system, which was released in September 2002.

In February 2003, the *2003 First Ministers' Accord on Health Care Renewal* indicated that each jurisdiction would continue to provide comprehensive and regular public reporting on the health programs and services it delivers, as well as on health system performance, health outcomes, and its population's health status, and it directed health ministers across the country to supplement the work previously undertaken. In this regard, on July 11, 2004, I again accepted a special assignment under section 17 of the then–*Audit Act* to perform specified procedures on the health indicators reported in connection with *Ontario's Health System Performance Report*. The reported indicators included, among others, life expectancy, patient wait times for radiation therapy for breast cancer and prostate cancer, patient satisfaction with various types of health services, levels of physical activity, and daily smoking rates of youths aged 12 to 19. The results of our work were reported to the Minister of Health and Long-Term Care and are included in *Ontario's Health System Performance Report* dated November 2004.

Ontario's Health System Performance Report is an important accountability initiative for Ontario, and I am encouraged by the work undertaken by the Ministry in preparing this report. I am also encouraged that the Ministry is improving its procedures for ensuring the accuracy of its data, because reliable and relevant data are essential for improved decision-making and accountability.

Chapter 3

Reports on Value-for-money (VFM) Audits

Our value-for-money audits are intended to examine how well the government's programs and activities are being managed and whether they comply with relevant legislation and authorities and, where appropriate, to identify opportunities for improving the economy, efficiency, and effectiveness measures of their operations. These audits are conducted under subsection 12(2) of the *Auditor General Act*, which requires the Office to report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of programs. This chapter contains the conclusions, observations, and recommendations for the value-for-money audits conducted in the past audit year.

Due to the size and complexity of the province's operations and administration, it is neither practicable nor necessary to audit each program every year. Instead, the Office audits programs and activities cyclically—almost all major programs and activities are audited over a five-to-seven-year period. The programs and activities audited this year were selected by the Office's senior management based on various criteria, such as a program's financial impact, its significance to the Legislative Assembly, related issues of public sensitivity and safety, and the results of past audits of the program.

We plan, perform, and report on our value-for-money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants.

Before beginning an audit, our staff meet with auditee representatives to discuss the focus of the audit. During the audit, staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. At the conclusion of the audit fieldwork, which is normally completed by May of that audit year, a draft report is prepared, reviewed internally, and then discussed with the auditee. Senior office staff meet with senior management from the ministry or agency to discuss the final draft report and to finalize the management responses to our recommendations, which are then incorporated into each of the VFM sections.

Chapter 3

Ministry of Health and Long-Term Care

Section

3.01 Ambulance Services—Air

Background

The provision of ambulance services in Ontario is governed by the *Ambulance Act*. Under the Act, the Minister of Health and Long-Term Care must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances."

The air ambulance program was established in 1977 to serve remote areas primarily in northern Ontario that are inaccessible to land ambulances or that land ambulances would take too long to reach. Air ambulances are also used to transport medical teams and organs for transplant.

The Ministry contracts with private operators to provide aircraft, pilots, paramedics, and bases to house the aircraft when not in use.

The Ministry operates an air ambulance dispatch centre located in Toronto. An air ambulance base hospital, also located in Toronto, provides medical direction, oversight, and certification of air ambulance paramedics. Ministry expenditures for the air ambulance program totalled approximately $93 million in the 2004/05 fiscal year.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had procedures in place to ensure that its expectations for the delivery of air ambulance services, including compliance with applicable legislation and policies, were being met in a cost-effective manner.

Our audit was conducted in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The criteria used to conclude on our audit objective were discussed with and agreed to by senior ministry management. We reviewed and, where warranted, relied on and referred to work completed by the Ministry's Internal Audit Services.

Summary

The Ministry needs to take action to ensure that its expectations for the delivery of air ambulance services, including patient care, are being met. In particular, the Ministry needs to address the following:

- Although the Ministry had implemented the recommendation from our 2000 audit of Emergency Health Services regarding establishing dispatch reaction-time (that is, response-time) standards, we found that the Ministry was not monitoring dispatch reaction times against the standards and only monitored certain air-ambulance-operator reaction times. For the air-ambulance-operator reaction times that the Ministry did monitor, contractual reaction times were met only between 38% and 67% of the time.
- In about 70% of the service reviews we examined, the Ministry certified air ambulance operators even though either the operator had clearly not met the criteria or it was not certain whether the operator had met the certification criteria. We saw little evidence of follow-up to ensure that identified deficiencies had been corrected.

As well, improvements are required to ensure that air ambulance services are meeting patient needs in a cost-effective manner. In particular, we noted the following:

- The Ministry was not sufficiently monitoring the use of air ambulance resources, especially in those situations where exceptions were made to the Ministry's stated policy of when to use an air ambulance, in that it generally did not document the reasons or rationale for choosing an air ambulance over a land ambulance.
- The percentage of helicopter calls being cancelled after the helicopter has already been dispatched has been increasing, from about 27% in the 2003/04 fiscal year to 33% in 2004/05. However, the Ministry has not formally analyzed the reasons for the high level of cancellations to determine whether changes to the dispatch process were required. Aside from the costs associated with cancelled flights, dispatched helicopters are generally unavailable to respond to another call, and therefore reaction times for subsequent patients may be increased.
- Based on the coroner's recommendation, the base hospital engaged an independent American organization to conduct an accreditation review of Ontario's air ambulance program. One of the key recommendations it made in 2003 was that a clear line of authority be established to better ensure consistent quality in the delivery of air ambulance services. However, this recommendation has not yet been satisfactorily implemented.

Detailed Audit Observations

REACTION TIMES

Dispatch Centre

Air ambulances are dispatched throughout the province by a central air dispatch centre, which receives calls from doctors, from land ambulance dispatch centres (which pass on the requests they receive from individuals requiring an air ambulance), and, in some remote communities, from "first responders" (for example, firefighters or police officers). At the dispatch centre, the call taker determines the call's priority (emergency, prompt, deferable, or scheduled transfer), and transfers it to a dispatcher.

In our audit of Emergency Health Services in our *2000 Special Report on Accountability and Value for Money*, we recommended that the Ministry develop air ambulance dispatch reaction-time (that is, response-time) standards and monitor actual reaction times against the standard. In November 2000, the Ministry acted on our recommendation and introduced an air ambulance dispatch centre reaction-time standard for all code 4 (emergency) and code 3 (prompt) calls. The standard was five minutes from the time a call is received to when it is transferred to a dispatcher and an additional 10 minutes for the dispatcher to contact an air ambulance operator—a 15-minute total reaction time from call receipt to dispatch. However, we noted that the Ministry did not formally monitor actual air ambulance dispatch centre reaction times to determine whether they met the standard.

In 2003, ministry documents indicated that the air ambulance dispatch centre should consider adopting reaction times similar to those for land ambulance dispatch centres: a two-minute total reaction time from call receipt to dispatch. While the 15-minute reaction time envisioned in the 2000 standard may seem long, a two-minute reaction time may be too ambitious a target to achieve given the dispatch system technology and additional complexities of dispatching an air ambulance as compared to a land ambulance. In any case, the 15-minute dispatch reaction-time standard has not been revised.

Air Ambulance Operators

The Ministry contracts with private operators to provide three different categories of helicopter and airplane ambulance service and establishes reaction times for each category in its contracts with operators as follows:

- One Preferred Provider operator uses helicopters primarily to transport critically ill or injured patients and must be ready to be airborne within 10 minutes of accepting a call.
- Two Critical Care operators use either helicopters or airplanes primarily to transport critically ill or injured patients and must be ready to be airborne within 10 minutes of accepting a call, 90% of the time.
- Ten Standing Agreement operators use airplanes primarily to transfer patients between hospitals and to transport organs for transplant. These operators are required to notify the dispatcher within 10 minutes whether they accept the call, as only these operators may decline a dispatcher's request for an air ambulance. On accepting a call, the pilot is required to request takeoff clearance within 30 minutes of the agreed departure time.

All contracts allow for delays due to extenuating circumstances, including bad weather.

During our audit, the Ministry informed us that it was monitoring air ambulance operators' actual reaction times only for code 4 (emergency) calls, and only for Preferred Provider and Critical Care operators. There was no regular monitoring of reaction times for non-emergency calls, and the reaction times for Standing Agreement operators—for any type of call—were also not monitored.

We noted that Ministry monitoring was based on the average reaction time for code 4 calls for both the Preferred Provider and Critical Care operators. However, the Ministry did not ensure that Critical Care operators' reaction times were achieved 90% of the time, in accordance with their contract requirements.

Based on ministry approximations, we calculated, as shown in Figure 1, that in fact the reaction times achieved by Critical Care and Preferred Provider operators for code 4 calls for the 2003/04 fiscal year were not meeting the contract requirements for a significant percentage of flights. Furthermore, we noted that, although the Standing Committee on Public Accounts recommended in 2001 that penalties be levied against operators whose reaction times did not meet their contract requirements, no such penalties were in fact levied.

RECOMMENDATION

To help ensure that the air ambulance dispatch centre and operators respond to calls in a timely manner, the Ministry should more closely monitor actual reaction times against ministry standards and contractual requirements and develop a strategy to improve both dispatch and operator reaction times, especially where these reaction times are being significantly exceeded.

MINISTRY RESPONSE

On July 20, 2005, the Ontario government appointed the Ontario Air Ambulance Services Corporation (OAASC), a non-profit body, to be responsible for all air ambulance operations, including the medical oversight of paramedics, air dispatch, and the authorizing of air and land ambulance transfers, as well as the development and implementation of the software system technology used for air ambulance dispatching.

The Ministry agrees to work with the OAASC to have reaction-time fields built into the new air ambulance software system in order to monitor performance for emergency calls.

DECISION TO DISPATCH

Current ministry policy states that an air ambulance can be used instead of a land ambulance when:

- transfers cover a distance of at least 240 kilometres;
- all land ambulance alternatives have been exhausted;
- there are poor road conditions or severe weather; or
- specialized equipment or medical escorts are required.

However, a first responder, paramedic, or dispatcher may use their judgment to override these criteria for on-scene emergencies requiring a helicopter.

We recognize that the judgment of such personnel may be the most appropriate means of determining whether an air ambulance should be used. However, as we noted in our 2000 audit of Emergency Health Services, the Ministry did not require that the dispatcher record why an air ambulance was required. Given the scarcity and cost of air ambulance resources, monitoring that these resources are being used only when necessary is important. It would therefore be helpful for the Ministry to have documented reasons for the decision to dispatch, particularly in those cases when judgment, rather than the predetermined criteria, was the deciding factor. Accordingly, we reiterate the view we expressed in our 2000 audit report that it would be prudent for the Ministry to ensure that it has sufficient information to monitor the appropriateness of the use of air ambulances.

Once the necessity for an air ambulance is established, the dispatcher selects an aircraft based on flight time, cost, and patient need. In 2001, the Ministry implemented a new call-tracking system that was to use information on the patient's medical condition and flight requirements to select the best-suited and most economical aircraft. However, ministry documents indicated that this system was

Figure 1: Code 4 Calls Response-time Requirements and Actual Performance, by Type of Ambulance Service, 2003/04

Source of data: Ministry of Health and Long-Term Care

Type of Ambulance Service	Response Requirement	Compliance Rate (%)[1]
Preferred—helicopter	ready to be airborne within 10 minutes of acceptance of flight	67
Critical—helicopter	ready to be airborne within 10 minutes of acceptance of flight with 90% compliance rate[2]	61
Critical—airplane	ready to be airborne within 10 minutes of acceptance of flight with 90% compliance rate[2]	38

1. Based on ministry approximations as the Ministry did not track the actual time when the flight became airborne.
2. The requirement is 20 minutes if the aircraft required refuelling. However, the Ministry did not track the calls that used aircraft which required refuelling.

expected to experience increasing incidents of failure. In addition, 90% of flight planning activity was still being done manually. The Ministry informed us that the Integrated Air Information System Project, discussed in greater detail in the last section of this report, will address this issue.

RECOMMENDATION

To better ensure that air ambulances are used only when necessary, the Ministry should require that the reasons for air ambulance use and for the selection of particular aircraft be sufficiently documented. The Ministry should also periodically review this information to identify the need for any corrective action.

MINISTRY RESPONSE

Air ambulance service is a time-sensitive and complex operation, and the merits of documenting all decision-making have limits when weighed against the associated delays such an approach can cause in actually providing an air ambulance response.

In concert with the Ontario Air Ambulance Services Corporation, the Ministry will undertake to include additional documentation of decision-making in new computer software that will be used in the dispatching of air ambulances, as long as such use does not impair system operational response capability or safety.

The Ministry will also undertake to periodically have a review conducted of the information and provide the Director of the Emergency Health Services Branch with the results of the review.

CANCELLED CALLS

The Ministry informed us that once dispatched, an air ambulance may be cancelled due to changes in a patient's condition, deteriorating weather conditions, or use of a land ambulance. Although a certain level of cancellations is to be expected, it would be useful, in order to ensure that air ambulance resources are being used appropriately, to analyze information about the cancellations, including comparing the reasons for cancelling a call with the reasons for selecting a particular air ambulance in the first place. Once dispatched, an air ambulance is in use and therefore is generally unavailable for other patient calls—which may increase reaction times for subsequent patients—and the Ministry may incur charges. For example, once a Standing Agreement flight is airborne, the Ministry must pay the costs incurred for the flight on cancellation.

We noted that the Ministry tracked the number of dispatched air ambulances (both helicopters and airplanes) that were subsequently cancelled. In the 2003/04 fiscal year, the most recent year for which full data were available, cancellations were as illustrated in Figure 2.

The Ministry also tracked cancelled helicopter calls for the subsequent fiscal year. We noted, based on this information, that the percentage of helicopter calls cancelled after dispatch increased from about 27% in the 2003/04 fiscal year to 33% in 2004/05. In addition, approximately 42% of the nearly 2,500 helicopter cancellations in 2004/05 occurred after the helicopter was airborne. The Ministry informed us that the increased cancellations resulted from a decision to dispatch helicopters in more situations, since, under its contracts with the helicopter operator, the Ministry was already paying for certain costs (for example, staff costs) regardless of whether the helicopters were used or not. In our view, such a high level of cancellations warrants a formal ministry follow-up, especially where air ambulances already airborne are cancelled.

Figure 2: Cancelled Air Ambulance Flights, 2003/04

Source of data: Ministry of Health and Long-Term Care

Aircraft	# of Flights Dispatched	# of Flights Cancelled	% of Flights Cancelled
helicopters (all)	6,782	1,860	27.4
airplanes (operated by Critical Care providers)	1,481	77	5.2
airplanes (operated under Standing Agreements)	6,779	500	7.4
Total	**15,042**	**2,437**	**16.2**

RECOMMENDATION

To better ensure that air ambulances are available to meet patient needs and are used in a cost-effective manner, the Ministry should:

- periodically review the level of cancelled calls;
- where the level of cancelled calls is high, analyze the reasons for cancellations; and
- take action to minimize unnecessary dispatch of aircraft.

MINISTRY RESPONSE

The Ministry distributes a Helicopter Utilization Guide and training materials to ensure that air ambulance on-scene responses are requested and undertaken in an appropriate manner.

The Ministry will work with the Ontario Air Ambulance Services Corporation to include call cancellation statistics and rationale information fields in the new air ambulance database that is under development.

The Ministry will also have the call cancellation information analyzed on a regular basis and reported to the Director of the Emergency Health Services Branch.

OPERATOR SERVICE REVIEWS

All air ambulance operators must be certified under the *Ambulance Act* at least once every three years. Certification is based on the results of scheduled service reviews conducted by the Ministry in conjunction with the base hospital. These reviews include an evaluation of the qualifications of the patient-care providers, the maintenance of aircraft and equipment in accordance with Ministry standards, and other measures taken to ensure proper patient care.

We noted that about 70% of the service review files in our sample did not contain supporting evidence for the decision to certify or recertify air ambulance operators. Specifically, in some instances operators had definitely not met the certification criteria, while in other instances it was unclear whether or not they had done so. We also noted that the Ministry has not put in place a documented policy stipulating when service review deficiencies should be followed up to ensure that they had been corrected or when consideration should be given to revoking an air ambulance operator's certification. Furthermore, although the Ministry informed us that it contacted operators to inquire whether deficiencies were corrected, we saw little documented evidence of this follow-up. In addition, while the Ministry informed us that it also visits operators' sites, it was unable to provide any documentation confirming that these site visits determined whether operators had actually corrected service review deficiencies.

For example, the Ministry's service review of one operator in 2002 indicated a number of deficiencies, including insufficient staff, no documentation of employee qualifications or completion of mandatory training, and no system to ensure that air ambulance call reports were accurately completed (call reports are the medical record used by paramedics to document each call). However, the operator was certified without any additional documentation to support this decision and without any documented follow-up to determine if the identified concerns were ever rectified. The Ministry informed us that the continued use of this air ambulance operator was required to meet the needs of patients. The Ministry further advised us that, notwithstanding the deficiencies noted, it believed there was no direct threat to patient safety while the operator worked towards correcting the deficiencies.

We recognize that it may be impractical or inappropriate to immediately refuse to recertify an air ambulance operator in cases where the Ministry has not identified a direct threat to the safety of patients. However, some violations, especially when they recur, may require the application of such sanctions as monetary penalties to encourage more timely compliance. We noted that, while contracts with air ambulance operators allowed for funding to be withheld if the operator defaults on material contractual obligations (by, for example, providing substandard services), the Ministry had never withheld funding as a result of service review deficiencies. Furthermore, the contracts had no specific provisions for penalties for service review deficiencies.

RECOMMENDATION

To help ensure proper patient care by air ambulance operators, the Ministry should:

- **ensure that deficiencies identified in service reviews are corrected on a timely basis; and**
- **determine the circumstances under which it will apply sanctions or consider revoking an operator's certification.**

MINISTRY RESPONSE

Certificates for air ambulance services expire in December 2005. Review schedules are being finalized, as are amended survey assessment tools.

Review reports will be finalized and distributed in a timely manner, and revisits and follow-ups will be completed in a timely manner. The purpose of conducting reviews is to identify deficiencies in meeting the standards and to allow an opportunity for operators to correct those deficiencies.

Sanctions and the revocation of a certificate are considered as last resorts when all other reasonable efforts of recourse to resolving the deficiencies of an operator have failed. The Ministry will further clarify when such sanctions or revocation options are to be considered.

LOCATION OF AIR BASES AND AIRCRAFT

The cost-effective use of air ambulances depends, among other things, on matching the demand for air ambulances to the placement of air bases and aircraft. While the Ministry has some information on the demand for air ambulances, ministry documents indicated that adequate information was not readily available on the number and type of aircraft needed, the required hours of operational availability, or the locations to base the aircraft in order to best meet patient needs. In addition, while the Ministry did review demand in one large municipality in 2000, and in 2003 reviewed the use of two Toronto-based helicopters and decided to relocate one helicopter to the near north for the summer trauma season, it has been more than 10 years since the Ministry formally reviewed the demand for and placement of air ambulances province-wide.

Coroners' inquests in 1999 and 2002 recommended an evaluation of the need for helicopter landing pads (at hospitals, for example) and related funding. Ministry documents from 2003 noted that inadequate access to helipads (helicopter landing pads) contributes to loss of life, particularly in areas with little or no land ambulance service. The lack of access to helipads also poses safety and liability issues, and it reduces public access to air ambulance services. However, the Ministry has never conducted a systematic province-wide review of the need for, and availability of, helipads.

RECOMMENDATION

To better ensure that air ambulances are available to meet patient needs, the Ministry should formally assess the number and type of air ambulances needed, the required hours of operational availability, and the optimal locations for aircraft bases and landing areas, including helipads.

MINISTRY RESPONSE

The Ministry has informally assessed this information each time a contract award for air ambulance provider services is contemplated. The Ministry will discuss the need to formally assess this with the Ontario Air Ambulance Services Corporation prior to initiating future contractual requests.

LINES OF AUTHORITY

In December 2001, a coroner's inquest cited public and community health concerns over the operation and administration of Ontario's air ambulance program, and questioned the delivery of the program. The inquest noted a lack of understanding about the capabilities of air ambulances, and when they should be used. The coroner recommended that an independent review be conducted.

As a result, the air ambulance base hospital engaged the Commission on Accreditation of Medical Transport Systems, an independent American organization, to conduct an accreditation review of Ontario's air ambulance program in 2003. The Commission's review found that the program's effective operation was inhibited by the absence of a clear line of authority among the dispatch centre, the base hospital, and the air ambulance operators responsible for the service. The Commission noted that advantages of a clear line of authority include:

- assurance that paramedics across the province work under the same policies and procedures; and
- a quality-improvement process that uses consistent and comparable data on service delivery to evaluate air ambulance services.

Subsequent to the completion of our audit, in July 2005 the Ministry announced that a newly created Ontario Air Ambulance Services Corporation would become responsible for all air ambulance operations—including medical oversight of all paramedics, air dispatch, and authorization of transfers between air and land ambulances—and would thereby be expected to establish clear lines of authority.

RECOMMENDATION

To enable the effective co-ordination and delivery of air ambulance services, the Ministry should ensure that the lines of authority are clarified among air ambulance dispatch, base hospital, and operators.

MINISTRY RESPONSE

The new service delivery model, as provided by the Ontario Air Ambulance Services Corporation, will clarify the lines of authority and thereby address the Commission on Accreditation of Medical Transport Systems' recommendations.

ACQUISITION OF OPERATOR SERVICES

The Ministry uses a competitive process to contract with Standing Agreement, Critical Care, and Preferred Provider air ambulance operators.

Operators who meet the Ministry's minimum requirements, including certification, and who wish to be on a roster to provide air ambulance services under Standing Agreements submit bids for their services. These bids can be adjusted every six months. The Ministry uses the Standing Agreement operators to respond to air ambulance calls when Critical Care and Preferred Provider operators are not available. The Ministry generally requests the service of the Standing Agreement operator that can meet the patient's needs at the lowest cost.

In 2000, the Ministry engaged a consulting company specializing in public-sector procurement management to assess the Ministry's process for obtaining Critical Care air ambulance operators. The consultant concluded that the process was fair, equitable, and consistent with the request-for-proposal (RFP) requirements.

The Ministry contracted for Preferred Provider air ambulance helicopter services in September 1999 as a result of an RFP process. Ministry documents noted that the Preferred Provider contract, unlike the Standing Agreements, was intended to establish a fixed cost for helicopter air ambulance services for the next five years, with no price escalations over the life of the contract. The contract was for a three-year term, renewable at the Ministry's option for another two years, and "such extension shall be upon the terms and conditions of this Agreement or any amendment thereto as may be agreed upon in writing by the parties." However, either party could terminate the contract without a reason with 180 days' notice.

In fall 2001, the Preferred Provider refused to complete the ministry-initiated two-year extension at the contract rate, claiming that it had experienced vastly reduced profitability due to escalating costs. Furthermore, the Preferred Provider stated that it required higher fees to continue the helicopter service and provided notification in April 2002 that it was terminating the contract. To ensure service delivery, the Ministry paid the requested cost increase of $10 million, over and above the contract rate, for the two-year contract extension. Ministry staff informed us that it relied on one organization for most air ambulance helicopter services because there were few other providers in Ontario.

The Ministry's Internal Audit Service completed a review of the Preferred Provider contract in 2002 to determine the validity of the provider's claims of reduced profitability, but the results were inconclusive. The Internal Audit Service also noted, however, that the two-year extension should allow ample time for the contract to be re-tendered. We noted that in 2004, the Ministry extended the contract with the Preferred Provider for one more year, for an additional $500,000 above the rate of the previous year. In addition, although the Ministry had requested that the Preferred Provider contract be tendered, the Management Board of Cabinet deferred doing so and authorized the Ministry to negotiate an additional contract extension of up to three years with this Preferred Provider.

RECOMMENDATION

To better ensure that air ambulance helicopter services are delivered economically, the Ministry should evaluate the risks posed by its significant dependence on one preferred service provider and develop a long-term strategy to encourage a more competitive environment.

MINISTRY RESPONSE

The performance agreement to be executed between the Ministry and the Ontario Air Ambulance Services Corporation will require a competitive procurement environment for air ambulance services that is consistent with government requirements.

PATIENT BILLINGS

Individuals are generally billed for the cost of their air ambulance trip if they are not covered under the Ontario Health Insurance Plan (OHIP). After an air ambulance trip has been completed, the Ministry determines if the flight is billable based on the air ambulance call report, and validates the information as necessary with the hospital. In the 2003/04 fiscal year, the Ministry billed individuals, mainly Americans and Canadians from other provinces, $537,000 for air ambulance services.

At the time of our last audit in 2000, patients travelling on aircraft operated by Standing Agreement operators were billed for the actual costs incurred to provide the service, while patients using another type of air ambulance were billed only for the time they were aboard the aircraft. We therefore recommended that the Ministry establish effective procedures to ensure that all patients are invoiced in a timely manner for the total cost of the service provided, regardless of the air carrier used.

We noted that most health-care services, such as those provided in hospitals, are to be billed to patients not covered by OHIP at rates that are at least equal to the actual cost of providing those services. In January 2004, however, the Ministry changed the amount that it would bill for air ambulance trips to "reasonable costs," defined as 150% of the costs associated with the amount of time, or distance in the case of Standing Agreement contracts, that the patient spent on board the aircraft. "Reasonable costs" excluded the charges associated with the time it took the aircraft to reach the patient for pickup. The hourly cost to be transported by Preferred Provider and Critical Care operators was determined using the air base with the lowest costs. The kilometre cost to be transported by a Standing Agreement operator was based on the costs billed to the Ministry for that portion of the flight. As illustrated in Figure 3, we calculated, using ministry data, the average cost per flight charged before and after the policy change. The charges to patients who had been transported by Critical Care and Preferred Provider operators decreased by an average of 59%, and charges for transportation by Standing Agreement operators decreased on average by 46% and are less than the total actual costs of providing the air ambulance service.

Figure 3: Average Billing per Flight

Source of data: Ministry of Health and Long-Term Care

Type of Contract	April–Dec 2003 ($)	Jan–Oct 2004 ($)	% Decrease
Standing Agreement operators	3,875	2,101	46
Critical Care and Preferred Provider operators	7,503	3,057	59

RECOMMENDATION

To help ensure that the costs of air ambulance services are recovered in those circumstances where the Ministry has determined recovery is appropriate, the Ministry should consider billing actual costs similar to other Ontario health program billing practices.

MINISTRY RESPONSE

The Ministry is currently recovering the estimated cost of transporting the patient. Implementing this recommendation would result in charging air ambulance users for the system costs of repositioning the available aircraft (for example, the cost of travelling to pick up the patient and of returning the aircraft to its base location). In concert with the Ontario Air Ambulance Services Corporation, the Ministry will review whether it is reasonable to charge these system costs to patients not covered by the Ontario Health Insurance Plan, and/or to establish a maximum recoverable amount.

INTEGRATED AIR INFORMATION SYSTEM PROJECT

The management of air ambulance operations involves various computerized functions, including applications relating to call taking and routing, dispatching, and flight and fuel management. In 2001, the Ministry initiated the Integrated Air Information System Project (Project), then scheduled for completion in April 2003, to integrate these information systems. The Project also included plans to integrate this proposed air ambulance system with the computer-assisted land ambulance dispatch system then being introduced by the Ministry. With all these systems integrated, air ambulance dispatchers were to have single-point access to flight and medical information, enabling them to communicate more easily with land ambulance dispatch centres. This would better ensure that patient needs were met in an efficient manner.

In 2003, the Ministry arranged with the air base hospital to independently develop a new medical algorithm to prioritize patients. This new algorithm was to form part of the Project. In November 2004, however, the base hospital informed the Ministry that it was no longer willing to have its algorithm become part of the Project because of a lack of co-operation by the Ministry.

In February 2005, the Ministry agreed to pay the base hospital about $430,000 to independently develop a computer-aided dispatch system for air ambulances, a central component of the Project. However, we believe there is a risk that an independently developed computer-assisted dispatch system may prove costly and be unable to be readily integrated with the land ambulance dispatch system.

RECOMMENDATION

To more efficiently meet patient needs with respect to ambulance services, the Ministry should ensure more timely and economical integration of air ambulance information systems, as well as balanced communication between air and land dispatch systems.

MINISTRY RESPONSE

The Ministry will work with the Ontario Air Ambulance Services Corporation to assist it to establish a substantially improved air ambulance dispatch information system.

Ministry of Health and Long-Term Care

Section 3.02

Ambulance Services—Land

Background

The provision of ambulance services in Ontario is governed by the *Ambulance Act* (Act). Under the Act, the Minister of Health and Long-Term Care must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances."

On January 1, 2001, responsibility for providing land ambulance services was transferred from the province to the 40 upper-tier municipalities and 10 designated delivery agents in remote areas (municipalities). The Act states that every municipality will be responsible for "ensuring the proper provision of land ambulance services in the municipality in accordance with the needs of persons in the municipality." The Ministry of Health and Long-Term Care (Ministry) funds 50% of approved eligible costs of municipal land ambulance services, and 100% of the approved costs of ambulance dispatch centres, ambulances for the First Nations and territories without municipal organization, and other related emergency services. In addition, the Ministry is responsible for ensuring that minimum standards are met for all aspects of ambulance services.

Across Ontario, land ambulances are dispatched by 22 dispatch centres, 11 of which are run by the province, seven by hospitals, three by municipalities, and one by a private operator. Twenty-one base hospitals train, certify, and provide on-the-job medical direction to paramedics. Only ambulance services certified under the Act may operate in the province.

The Emergency Health Services Branch (Branch), part of the Ministry's Acute Services Division, administers the Ministry's role and responsibilities under the Act. In the 2004/05 fiscal year, ministry expenditures on land ambulance services were approximately $358 million, including $241 million provided to municipalities for land ambulance services, as shown in Figure 1.

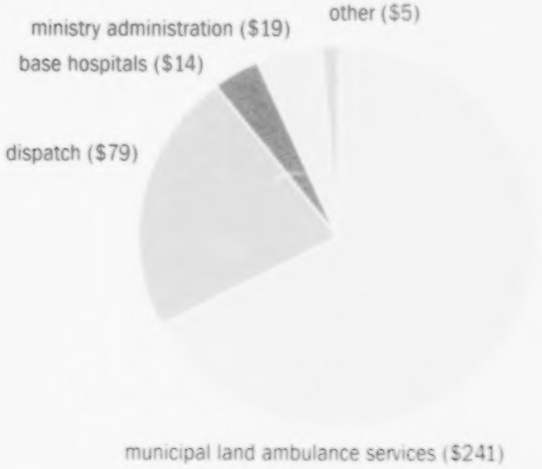
Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had procedures in place to ensure that:

- its expectations for the delivery of land ambulance services, including compliance with applicable legislation and policies, were being met in a cost-effective manner; and

Figure 1: Ministry Land Ambulance Service Expenditures, 2004/05 ($ million)

Source of data: Ministry of Health and Long-Term Care



- performance in delivering land ambulance services was properly measured and reported.

Our audit was conducted in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The criteria used to conclude on our audit objective were discussed with and agreed to by senior ministry management.

Our audit primarily focused on activities at the Branch's head office and field offices, as well as a sample of dispatch centres and base hospitals. We also met with representatives of the Association of Municipal Emergency Medical Services of Ontario. We did not rely on the Ministry's Internal Audit Services to reduce the extent of our audit work because it had not recently conducted any audit work on land ambulance services.

Summary

We found that the Ministry needed to take additional action to address many of the challenges identified in our 2000 audit of Emergency Health Services and the related recommendations made subsequently by the Standing Committee on Public Accounts. Specifically, the Ministry had not ensured that municipally operated land ambulance services were providing integrated and balanced service across the province. In addition, two-thirds of land ambulance operators were not meeting their legislated response times, and the total cost of the program has increased by 94% over the last four years. In particular, we noted that:

- Municipal boundaries could have an impact on the delivery of health-care services. For example, as part of the Ontario Stroke Strategy, municipalities are required to transfer stroke patients to the nearest stroke centre. At the time of our audit, however, at least two municipalities were not participating in the Stroke Strategy and therefore not transferring stroke patients to the nearest centres unless they received additional ministry funding because the nearest centre was outside their respective boundaries.
- The Ministry was not determining whether transfers of patients between institutions were being handled in the most appropriate and cost-effective manner. Failure to transport patients in a timely and efficient way can impact patient care. For example, missed appointments for diagnostic tests can delay patient treatment and result in longer-than-necessary hospital stays.
- Even though the Ministry has provided about $30 million in additional funding, ambulance response times increased in about 44% of municipalities between 2000 and 2004. In addition, 32 of 50, or 64% of, municipalities did not meet their legislated response times in 2004, even though the requirements were based on

meeting their actual 1996 response times. We made a similar observation in our 2000 audit of Emergency Health Services, where we noted that 50% to 60% of municipalities had not met their legislated response times in 1998 and the first half of 1999.

- Fifteen of the 18 dispatch centres that reported information did not dispatch ambulances within the time required by the Ministry. In addition, the Ministry had not obtained acceptance from one municipally run dispatch centre that it was agreeable to adhering to the Ministry's dispatch response times, and in fact the dispatch centre had been unable to meet the response-time standards.
- Total provincial and municipal costs of providing ambulance services increased by 94% over four years, from $352 million in the 1999/2000 fiscal year to $683 million in 2003/04. However, total ambulance calls involving patients have remained at about the same level.
- The current division of responsibilities and funding of land ambulance services can result in varying levels of service across the province for people with similar needs living in similar areas. Variations in service may result from, for example, differences in municipal tax bases.
- The Ontario Municipal Chief Administrative Officer's Benchmarking Initiative calculated that the cost per household of land ambulance services in 2003 ranged from $57 to $150 and averaged $89 for the 12 municipalities that reported information. We noted that the Ministry had not assessed whether the significant differences in funding levels resulted in significant differences in service levels to patients.

In addition, action is still required by the Ministry to address the following issues, most of which were also noted in our 2000 audit report:

- Some municipalities experienced significant delays in hospitals accepting patients arriving by ambulance. For example, the City of Toronto reported in 2004 that delays at hospitals cost an estimated $4.5 million to $5 million that year, much of it caused by increased overtime staff costs. In addition, for about 40% of all emergency and prompt ambulance calls province-wide, once the ambulance arrived at the hospital it took more than 40 minutes for the hospital to accept the patient.
- While we found that service reviews were generally conducted by the Ministry within the required three-year period, between 2002 and 2004 over 40% of ambulance operators failed to meet certification standards during service reviews, even though they received advance notice of the reviews. Furthermore, at least 50% of operators who did not meet certification standards had no follow-up inspection or service review within the following six months to ensure that serious deficiencies had been corrected.
- The Ministry has not established operational review and quality-assurance processes for all dispatch centres to ensure that ministry standards are met. In addition, although we recommended in our 2000 audit report that the Ministry conduct reviews of all dispatch centres within reasonable time frames and the Ministry agreed with the recommendation, there have not been periodic reviews of all dispatch-centre operations. The reason, we were informed, was that reviews would further disrupt operations, which were already coping with staffing problems, such as almost one ambulance dispatcher leaving for every two hired in a seven-month period, as well as the introduction of new technologies.

Regarding performance reporting, we noted that there was minimal annual measuring of and public reporting on the delivery of land ambulance services by the Ministry, although some municipalities were taking steps in this area. We observed that several other jurisdictions report publicly on response times and other measures of land ambulance service performance.

Detailed Audit Observations

RESPONSIBILITY FOR LAND AMBULANCE SERVICES

By January 1, 2001, the province had transferred the responsibility for delivering land ambulance services to all municipalities as part of Ontario's Local Services Realignment (Realignment). In our audit of Emergency Health Services published in our *2000 Special Report on Accountability and Value for Money*, we expressed concern that the Realignment would not meet its stated goal of improving accountability, reducing waste and duplication, and providing better government services at a lower cost to Ontario taxpayers.

In particular, we were concerned that the realigned ambulance system would not provide a balanced and integrated service, as required under the *Ambulance Act*, and that it would actually be more costly to Ontario taxpayers. Various stakeholder groups, including the Ministry, the Provincial Base Hospital Advisory Group, the Ontario Hospital Association, and the Who Does What Panel, raised related concerns. For example, ministry consultants noted in 1999 that municipalities would likely attempt to gain cost efficiencies that might not be in the best interests of ambulance services province-wide. Also in 1999, the Ontario Hospital Association noted the tendency of separate segments to look after their own requirements, without considering the needs of the whole ambulance system.

We recommended in our 2000 audit report that after Realignment was completed, the Ministry should ensure that land ambulance services be provided according to the five fundamental principles to which the Ministry had committed:

- Seamlessness: the closest available and appropriate ambulance should respond to a patient at any time and in any jurisdiction, regardless of municipal boundaries.
- Accessibility: municipalities should ensure reasonable access to ambulance services, and ambulance services should respond regardless of the location of the request.
- Accountability: ambulance services should be medically, operationally, and financially accountable to the municipalities and the Ministry.
- Integration: emergency and transfer services should be integrated with other health-care services.
- Responsiveness: ambulance services should be responsive to fluctuating health-care, demographic, socio-economic, and medical demands.

In 2001, the Standing Committee on Public Accounts recommended that the Ministry's assessment of the Realignment of land ambulance services address issues such as the maintenance of standards, including response times; the financial impact on municipalities and the province; and a determination of whether Realignment is providing services according to the five fundamental principles above.

The Ministry and the Association of Municipalities of Ontario (AMO) established the Land Ambulance Implementation Steering Committee (LAISC) to facilitate, monitor, and evaluate the transfer of services. However, in June 2003, four years after LAISC's establishment, the AMO informed the Ministry that it was concerned about the lack of progress on key ambulance service issues and the role of LAISC, and stated that municipal participation in the process would be "discontinued until there is a real opportunity and willingness to resolve these critical issues in a more time-sensitive manner." The Ministry agreed that LAISC need no longer exist, but its reason was its belief that much of the work on issues of concern to municipalities, such as response times, operational standards, and funding, had been completed. However, as noted below, many of these issues have not yet been adequately resolved.

Balanced and Integrated Service

According to the Ministry at the time of our 2000 audit, ambulance services in Ontario prior to Realignment operated within a seamless system that crossed all municipal boundaries and dispatched the closest ambulance, regardless of its home municipality. In 2001, the Standing Committee on Public Accounts recommended that the Ministry establish provincial standards governing ambulance dispatch practices and procedures to ensure seamless land ambulance services.

However, since Realignment, ministry documents have cited increasing claims that dispatch centres failed to send the closest available ambulance in non-emergencies, and that, at the request of municipalities, dispatch-centre boundaries were generally realigned to match municipal boundaries. The May 2004 Report of the Land Ambulance Acute Transfers Task Force, consisting primarily of ministry and base hospital representatives, also noted that in order to “improve local emergency ambulance service delivery, municipalities are resisting non-emergency inter-facility transfer requests, and ambulance calls that require their vehicles to cross municipal boundaries.” While dispatch centres determine which ambulances respond to each call, municipalities establish where their ambulances wait for the next call. Therefore, to minimize dispatches to bordering municipalities, ambulances may be positioned towards the centre of the municipality to reduce the likelihood of being dispatched outside its boundaries.

The increasing reluctance of municipalities to allow their ambulance fleets to cross municipal boundaries has also affected the integration of a number of specialized health initiatives, including the Ontario Stroke Strategy. Introduced in 2003, the Strategy established regional and district stroke centres in certain hospitals to provide stroke patients with continuous access to specific equipment and neurologists. This was intended to help minimize the impact of a stroke by assessing, diagnosing, and treating the patient within a critical three-hour window. When an ambulance is called, the paramedic uses a protocol to determine if the patient should be transported to the closest stroke centre. However, the nearest stroke centre is sometimes outside municipal boundaries.

The Ministry informed us that as of May 2005, at least two municipalities were not participating in the stroke strategy and therefore not transferring stroke patients to the nearest centre because the nearest centre was beyond their boundaries, and they would not transfer the patients unless they received additional ministry funding. We were subsequently informed that one of these municipalities would be participating in the stroke strategy after a stroke centre was opened within its municipal boundaries. In addition, we were informed that municipalities felt transporting patients outside a municipality’s boundary could have a negative impact on the municipality’s ability to respond to subsequent emergencies within its own borders.

RECOMMENDATION

In order for the public to receive the best possible emergency care, the Ministry should assess what measures are required to ensure that land ambulance services are seamless, accessible, and integrated regardless of municipal boundaries.

MINISTRY RESPONSE

The existence of seamless, accessible, and integrated land ambulance services is a principle that the Ministry and the municipalities share through a Memorandum of Agreement, signed at the time of the land ambulance transition, and endeavour to adhere to. In emergency situations, ambulance dispatchers always send the closest, most appropriate ambulance. This is consistent with the legislated responsibility of the municipalities to provide services in accordance with the needs of persons in the municipality. In non-emergency situations, time is not as important, and use of the closest ambulance is not as vital.

To date, after a stroke centre has been established and the stroke protocols have been implemented within a municipality, patients within that municipality are taken to a stroke centre. The Ministry continues to work with the stroke centres, municipalities, and dispatch centres to provide for seamlessness in regard to this program.

The Minister recently announced that land ambulance discussions between municipal and provincial officials would be convened to discuss a number of issues. Several of the issues related to this recommendation are expected to be discussed at these sessions.

Non-emergency Scheduled Institutional Transfers

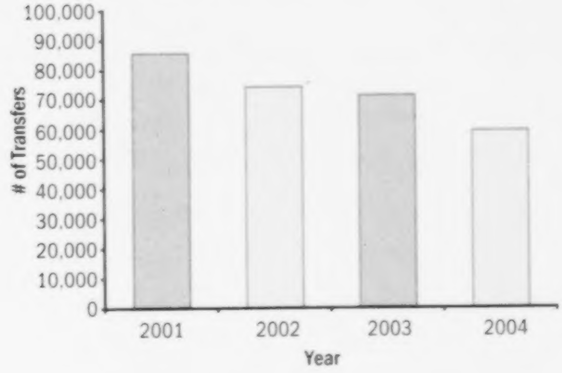
Most scheduled non-emergency ambulance calls are for transfers of patients between health-care facilities—between hospitals, for example, or between a hospital and a nursing home. As noted in the May 2004 Report of the Land Ambulance Acute Transfers Task Force, requests for non-emergency institutional transfers have greatly increased, due in part to hospitals' increasing specialization in certain treatment areas. Failure to transfer patients in a timely and efficient way can adversely affect patient care. For example, missed appointments for diagnostic tests can delay patient treatment and result in longer-than-necessary hospital stays. Ministry data indicated that in 2004, over 40% of scheduled calls were late by more than 20 minutes from the promised time.

In 1997, the Ministry issued to hospitals a Guide to Choosing Appropriate Patient Transportation to clarify which patients should be transported by ambulance. The Guide stated that ambulances should be used if a physician determines that a patient is medically unstable, requires a medical escort, and needs a stretcher. The Guide did not prohibit the use of ambulances in other circumstances, but it did say that less costly alternatives, such as taxis, stretcher-capable private medical transport services, and volunteer agencies, should be considered.

Since June 2003, the Ministry has had access to some information on the number of inter-institutional patient transfers, and in the 2004/05 fiscal year, this information indicated that about 350,000 such transfers took place. However, we noted that the Ministry did not track or analyze the total number of scheduled transfers to institutions done by private medical transport services; the number that could safely be done by medical transport services but were actually being done by ambulances; or the number that should have been done by ambulances but were done by medical transport services. Without this information, the Ministry is unable to determine whether patient transfers meet the needs of patients in the most cost-effective manner. The Ministry informed us that it believed that the use of medical transport services has been increasing since the transfer of ambulance services to municipalities, which is consistent with the significant decrease in the number of scheduled institutional transfers by ambulances since 2001, illustrated in Figure 2.

Non-emergency calls might have declined further if not for the fact that hospitals must pay for private medical transport services but not for ambulances. Many hospitals still call ambulances for non-emergency transfers. In addition, since ambulances

Figure 2: Number of Scheduled Transfers to Institutions Performed by Ambulances



Source of data: Ministry of Health and Long-Term Care

must meet vehicle and staffing requirements prescribed by regulation, while medical transport services are not subject to any such standards, we acknowledge that hospitals may be choosing ambulances out of concern for patient safety.

In our 2000 audit report, we recommended that the Ministry and municipalities jointly develop and put in place standards to address passenger safety and encourage the use of the most cost-effective means of transferring non-emergency patients. The Land Ambulance Implementation Steering Committee also identified inter-institutional transfers as one of its highest priorities. In addition, a consultant's report commissioned by the Ministry on behalf of the Land Ambulance Implementation Steering Committee in 2002 recommended the regulation of medical transport services, and the use of ambulances predominantly for emergencies. The report also noted that most—but not all—members of the health-care community understand that medical transport services are to be used only for non-emergency, medically stable patients. The report found that some health-care providers were under the misapprehension that private medical transport services are regulated in the same way as ambulance operators.

The May 2004 Report of the Land Ambulance Acute Transfers Task Force indicated that regulating medical transport services was the minimum required action to ensure patient safety. In addition, the report noted that in order to "improve local emergency ambulance service delivery, municipalities are resisting non-emergency inter-facility transfer requests and ambulance calls that require their vehicles to cross municipal boundaries." The report observed that the current ambulance system did not respond to all needs; municipalities focused on meeting response-time standards for emergency calls, while hospital concerns included timely inter-institutional transfers to make the best use of available beds, diagnostic services, and other resources. The report's recommendations suggested that new provincial regulations on medical transport services were needed to ensure patient safety and operator accountability. At the time of our audit, no action had been taken to implement the report's recommendations. However, we were informed by ministry officials that the issues noted by the Task Force would be addressed as part of its broader Health Services Transformation Agenda.

RECOMMENDATION

As recommended in our previous audit of Emergency Health Services published in our *2000 Special Report on Accountability and Value for Money*, the Ministry should work jointly with municipalities and the hospital community to:

- **develop and put in place standards for non-ambulance medical transport services to address passenger safety; and**
- **take steps that will encourage the use of the most cost-effective resources for the scheduled transfer of non-emergency patients.**

MINISTRY RESPONSE

In spring 2005, the Ministry appointed a lead for the transformation of medical transportation in the province. A working group has been established to make recommendations to the

Ministry on the future governance and delivery of non-ambulance medical transport services and on the use of appropriate transport services for inter-facility transfers.

RESPONSE TIMES

Ambulance Response Times

Patient-related calls for ambulances are generally prioritized by dispatch centres as shown in Figure 3.

Figure 3: Prioritization of Ambulance Calls

Source of data: Ministry of Health and Long-Term Care

code 4	urgent call	life or limb threatening
code 3	prompt call	serious but stable or under professional care
code 2	scheduled call	scheduled transfers to institutions
code 1	deferrable call	delays not detrimental to patient safety

A regulation under the *Ambulance Act* requires that operators meet criteria set out in the Ministry's Land Ambulance Certification Standards. These standards stipulate that ambulances must respond to 90% of code 4 emergency calls within the actual time that was achieved for 90% of such calls in 1996. Response time is measured from the time the ambulance dispatcher notifies the ambulance crew to the time the ambulance arrives at the scene.

In our 2000 audit report, we noted that 50% to 60% of municipalities had not met their 1996 response-time standards in 1998 and the first half of 1999, which were prior to Realignment. In addition, we recommended that the Ministry, together with the municipalities, take corrective action where specified response-time requirements had not been met. In 2001, the Standing Committee on Public Accounts also recommended that the Ministry "should ensure compliance with municipal response-time standards for all jurisdictions throughout the province. The results of the monitoring should be evaluated and reported on a regular basis ... Corrective action should be taken immediately in cases of non-compliance."

As noted in our 2000 audit report, the Ministry estimated that approximately $52 million was required to meet 1996 response times, including $40 million of ongoing annual funding. In 2001, the Ministry asked municipalities to submit strategies to achieve a reduction in response times. Municipalities indicated that implementation of such strategies would require $156 million. To help decrease response times, the Ministry distributed $10 million of one-time federal funding for new ambulances and replacement of other medical equipment in the 2001/02 fiscal year. In 2002/03, the Ministry also began funding municipalities an additional $30 million if they matched the provincial money dollar for dollar, and committed to decreasing ambulance response times by an average of 10%. However, the Ministry's July 2004 Status Update on the Transfer of Land Ambulance Services Under Local Services Realignment indicated that worsening response times were one issue that had yet to be solved. While 36 municipalities' response times improved from 2003 to 2004, in 2004, 32 of the 50 municipalities still failed to meet their 1996 response times, while 22 had longer response times than in 2000. The Ministry acknowledged in 2005 that response-time improvement initiatives to date had achieved only mixed success.

Evidence-based Response Times

The response-time standards for emergency calls in Ontario vary significantly throughout the province. They are based on measurements of historical times, from dispatch of ambulance to arrival on scene, actually achieved across the province in 1996. In our 2000 audit report, we noted wide ranges in code 4 response-time requirements and inconsistencies in requirements within municipalities of similar geographic makeup. We recommended that the Ministry, together with

Figure 4: Range in Ontario's Response Times[1] by Type of Geographic Area, 2004[2]

Source of data: Ministry of Health and Long-Term Care

Type of Geographic Area	Fastest (minutes[3])	Slowest (minutes[3])
urban	14	17
suburban	13	18
rural	15	30
northern	11	28

1. Response times are from call receipt to arrival on scene, 90% of the time.
2. Results exclude data for five municipalities for which the Ministry did not have information.
3. Results are rounded to the nearest minute.

municipalities, review the response-time requirements for reasonableness and consistency and, where necessary, make adjustments. The Ministry responded that it would review standards, including response times, with municipalities. In 2000, the Ministry also informed the Standing Committee on Public Accounts of a request by municipalities to consider developing evidence-based standards through the Standards Subcommittee of the Land Ambulance Implementation Steering Committee (LAISC). As previously noted, however, LAISC was disbanded in fall 2003, and no changes were made to response-time standards.

In other jurisdictions, response-time standards and/or guidelines, while usually not legislated, are often developed based on such factors as population density and geography. For example, British Columbia's proposed response-time targets for emergency calls, from the time the call is received to the time on scene, is less than nine minutes, 90% of the time, in urban areas, and less than 15 minutes, 90% of the time, in rural areas. Nova Scotia has similar response-time goals for emergency calls, with urban areas being less than nine minutes, suburban areas less than 15 minutes, and rural areas less than 30 minutes, all 90% of the time. As mentioned previously, the Ministry normally measures response times from notification of the ambulance crew by the dispatcher to arrival on scene (as opposed to measuring, as the above jurisdictions do, from the dispatch centre's receipt of the call to arrival on scene). At our request, however, the Ministry produced reports of response times from call receipt to arrival on scene based on the ministry-developed categories of urban, suburban, rural, and northern areas, as illustrated in Figure 4.

England has a national response-time standard, from the time critical information has been received from the caller to when the emergency response vehicle arrives, of eight minutes or less, 75% of the time, for calls where an immediate threat to life has been identified. We noted that in Ontario, the actual comparable response time for emergency calls in 2004 was 10 minutes and 32 seconds, 75% of the time, or about two and a half minutes more than the standard in England.

Prompt responses are critical to the survival and well-being of patients with certain types of injuries or illnesses, particularly those experiencing cardiac arrest. In 1994, the Ministry funded the Ontario Pre-hospital Advanced Life Support study (OPALS) to support evidence-based decision-making in emergency medical services planning. The eight-year study involved 21 communities and about 10,000 patients experiencing cardiac arrest. In addition, the study investigated the relative value of rapid access to emergency care, early cardiopulmonary resuscitation (CPR), rapid defibrillation, and interventions by advanced-care paramedics to the survival of individuals who had suffered an out-of-hospital cardiac arrest.

In 2003, the OPALS researchers reported that according to their findings, a response time of six minutes from call receipt to on-scene arrival could have improved survival rates in the study communities by 3.6%, or 51 additional lives annually. As well, OPALS researchers cited a study on the use of public-access automatic external defibrillators in casinos, and noted a 74% survival rate when defibrillation began within three minutes of cardiac arrest.

In 2004, the OPALS researchers reported that lives were saved through a combination of CPR by on-scene citizens and rapid defibrillation responses. In many places in Ontario, fire and police services co-operated with ambulance services in providing emergency responses to cardiac arrest patients and other emergencies, as they can often arrive before the ambulance. These response arrangements are voluntary and vary by municipality. As well, the OPALS research noted that the strategic placement of automatic external defibrillators in public locations, such as shopping malls, could be beneficial. In addition, *The New England Journal of Medicine* reported in 2004 that training and equipping volunteers to attempt early defibrillation within a structured response system could increase the number of survivors of cardiac arrest in public places, and concluded that trained laypersons could use automatic external defibrillators safely and effectively. While the placement of defribillators in all public places may not be reasonable given that OPALS researchers found that only about 15% of cardiac arrests occur in public locations, the OPALS researchers nevertheless recommended the strategic placement of defibrillators in such public places as casinos.

RECOMMENDATION

To help ensure that response times for emergencies, including cardiac arrest, meet the needs of patients throughout the province, the Ministry should:

- together with municipalities, review current response-time requirements for reasonableness and consistency and, where necessary, make adjustments;
- work closely with municipalities to help them meet the response-time requirements; and
- assess the costs and benefits of a fully co-ordinated emergency response system that includes strategically placed publicly accessible automatic external defibrillators.

MINISTRY RESPONSE

The Minister recently announced that land ambulance discussions between provincial and municipal officials would be convened to discuss a number of issues. Reponse-time standards and response-time performance are expected to be among the items discussed at this forum.

On August 11, 2005, the Ontario Health Technology Advisory Committee (OHTAC) requested that the Medical Advisory Secretariat of the Ministry conduct a Health Technology Assessment and Policy Analysis of the various components of a co-ordinated emergency first-response system. This assessment includes response times and the use of automated external defibrillators (AEDs) to improve survival in the event of a cardiac arrest. The assessment will be reported back to OHTAC by mid-December. At the completion of this review, OHTAC will make recommendations to the Deputy Minister and the health-care system on the settings in which AEDs are cost effective. This is expected to assist in future planning for the distribution of AEDs in Ontario.

Dispatch Response Times

Dispatch response-time standards for code 4 emergency calls are set out, for ministry-operated centres, in the Dispatch Centre Manual and in contracts with dispatch centres operated by hospitals, municipalities, and a private operator. According to these documents, a call taker must obtain patient information necessary to accurately prioritize a call and assign it to a dispatcher within 45 seconds, 90% of the time. The dispatcher must select and notify the land ambulance crew within 75 seconds, 90% of the time. In total, the dispatch centre must select and notify the ambulance crew within two minutes of call receipt. There are no standard response times for code 3 or other types of calls.

In our 2000 audit report, we found that dispatch response-time standards were not being met by most dispatch centres. We recommended ministry monitoring to ensure that response-time standards were being met, so that timely corrective action could be taken where necessary. As discussed in more detail in the Reviews of Dispatch Centres section, dispatch centres used varying quality-assurance processes, although the Ministry informed us that it was piloting a standardized quality-assurance process. However, the Ministry had not conducted any service reviews of dispatch centres since our last audit. Furthermore, we noted that 15 of the 18 dispatch centres that tracked response times in 2004 did not notify the ambulance crew within two minutes of receiving a call. Four centres exceeded the two-minute standard by more than 30 seconds. During our current audit, we noted that the Ministry had not signed a performance agreement with the largest dispatch centre in Ontario to formalize its commitment to the response-time standards, and, in fact, this dispatch centre exceeded the dispatch response-time standard by about 110 seconds in 2004.

Automatic Vehicle Locator (AVL) technology uses global positioning satellites and land-based transmitters to identify the geographic location of vehicles in real time on a map. The Ministry of Transportation uses such technology to identify the location of all of its winter snow and maintenance vehicles (both those owned by the Ministry and those of contractors) so that it can respond to calls and weather incidents in the most cost-effective manner. For health emergencies, AVL technology can assist dispatchers in identifying the closest ambulance to a patient.

The Ministry informed us that it did not implement AVL in conjunction with the new computer-aided dispatch system, which the Ministry began implementing in dispatch centres in 2002, because it considered AVL to be an emerging technology at that time. However, in a bid to reduce dispatch response times, the Ministry spent about $3.4 million, beginning in the 2003/04 fiscal year, to acquire AVL technology. In addition, one municipally run dispatch centre that implemented AVL technology prior to the Ministry's current initiatives has a system that is incompatible with other systems in the province. Consequently, its ambulances are not visible on any other dispatch centre's AVL system. At the end of our fieldwork, the Ministry had commenced a project to integrate AVL technology with the computer-aided dispatch systems. We will follow up on the integration of the AVL technology during our next audit of Emergency Health Services.

RECOMMENDATION

To ensure that dispatch centres meet the required ambulance dispatch response times, the Ministry should monitor dispatch-centre performance throughout the province and take timely corrective action where necessary.

MINISTRY RESPONSE

The call-processing-time performance of dispatch centres is now being monitored throughout the province on a quarterly basis. In those instances where call-processing times are not meeting the standard, an assessment is undertaken to determine the cause of the deficiency. Once a deficiency is identified, measures are instituted (for example, staff training and requests for additional resources) to implement the steps necessary to improve the performance.

Ambulance Time Spent at Hospitals

In our 2000 audit report, we noted that some ambulances experienced delays due to:

- their not being permitted to take a patient to the closest hospital; and
- delays in hospitals accepting ambulance patients.

These delays usually occurred because hospitals reported that their emergency rooms were full. To address these delays, the Ministry introduced the Patient Priority System in 2001. The system required patients to be screened using the Canadian Triage and Acuity Scale, an internationally recognized system used for many years in hospital emergency rooms. Under this system, the most urgent cases are taken to the nearest hospital. The Institute for Clinical Evaluative Sciences is conducting ongoing research on the Scale with respect to patient outcomes and health-care resource utilization.

We were informed by the Ministry that the Patient Priority System has generally ensured that code 4 and code 3 patients are, when appropriate, transferred to the nearest hospital. However, the Patient Priority System did not address situations where ambulances had to wait extended periods until a hospital was ready to accept a patient. These delays increase the risk of poor response times for other patients, as the ambulance is not available to respond to another call while it waits until a hospital accepts a patient. In December 2004, the City of Toronto estimated that delays at hospitals cost between $4.5 million and $5 million in 2004, much of it in overtime staffing. It further reported that these delays were growing in volume and duration and were the principal barrier to Toronto meeting its response-time standard.

At our request, the Ministry calculated for 2004 how long it took for an ambulance to deliver a patient once it arrived at a hospital. It found that, while times varied significantly across the province, for about 40% of the total code 4 and code 3 calls, delivery of the patient after arriving at a hospital took more than 40 minutes. In addition, data for two municipalities indicated times of more than 90 minutes for 10% of their calls.

In winter 2005, the Ministry established a Hospital Emergency Department and Ambulance Effectiveness Working Group to provide advice on a number of areas, including the management of transfer of patient-care responsibility from ambulance services to hospital emergency departments. The final report was scheduled for completion by March 31, 2005, but we were informed that, as of May 2005, it had not been finalized and no draft could be provided to us.

RECOMMENDATION

To help ensure the efficient use of emergency health services and enhance emergency patient care, the Ministry, in conjunction with municipalities and hospitals, should take appropriate action to minimize situations where patients are waiting for extended periods of time in an ambulance before being accepted by a hospital.

MINISTRY RESPONSE

The Minister established the Hospital Emergency Department and Ambulance Effectiveness Working Group in February 2005. The Ministry will be reviewing the recommendations from this group and will be working with the hospital and land ambulance sector to implement measures to reduce the impacts of delays in hospitals accepting ambulance patients.

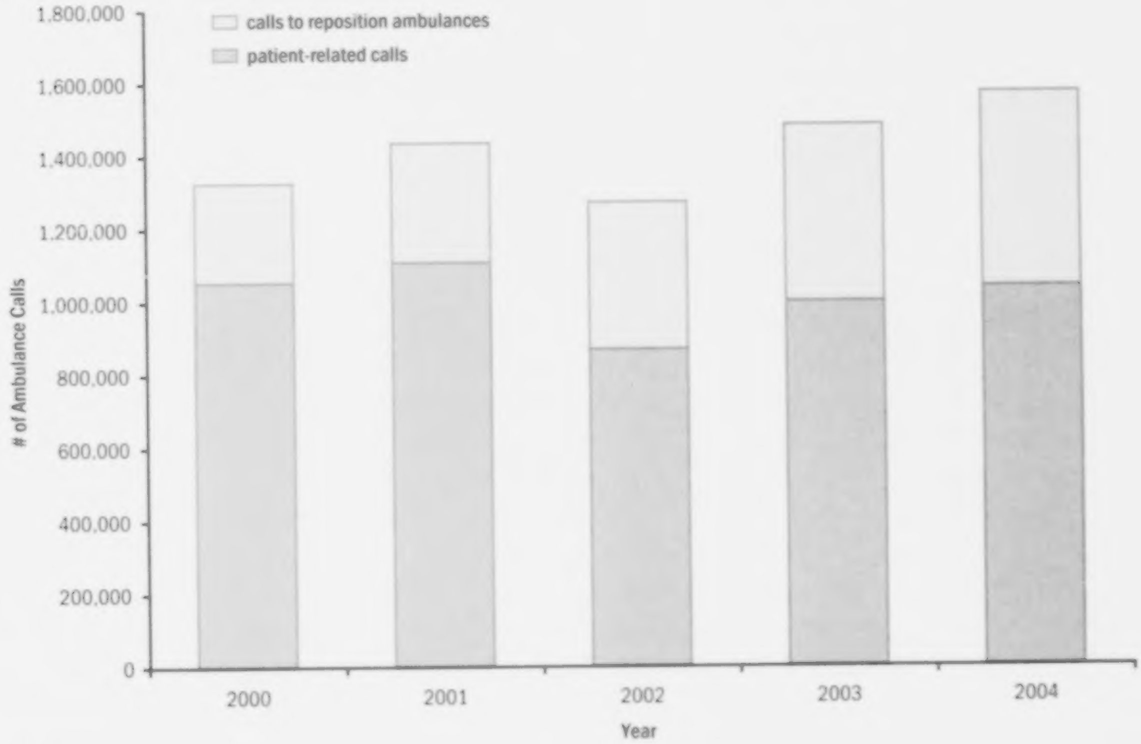
FUNDING

Ministry-funded Costs

The Standing Committee on Public Accounts recommended in 2001 that the Ministry assess Realignment, including the financial impact on municipalities and the province.

Figure 5: Total Ambulance Calls, 2000–04

Source of data: Ministry of Health and Long-Term Care



We noted that the total cost of providing emergency health services in Ontario has increased by 94% over the last four years, from $352 million in the 1999/2000 fiscal year to an estimated $683 million in 2003/04. Ministry documents indicated that the increased costs were due primarily to three factors:

- Paramedic wages have increased. Since wages constitute about 85% of the total costs of land ambulance services, wage increases can have a significant impact on program costs.
- The number of paramedics has increased—we noted a rise of 18% between 2001 and 2004.
- The number of ambulances has increased.

Increases in the numbers of paramedics and ambulances were the result of increased calls for ambulances and of efforts to reduce response times. The overall number of calls for ambulances increased by about 19% since 2000. However, this number includes all calls to reposition ambulances waiting for the next patient call. We noted that, once these repositioning calls are excluded, the total number of patient-related calls has remained at about the same level, as shown in Figure 5.

We recommended in our 2000 audit report that the Ministry develop a process to assess relative need, ensure reasonable and equitable funding across the province, and define which municipal costs qualify for provincial funding. In addition, the Standing Committee on Public Accounts recommended in 2001 that the Ministry determine the immediate and long-term municipal costs associated with providing emergency health services and undertake to ensure that provincial funding is reasonable and equitable.

Although, as we noted in our 2000 audit report, the Ministry itself raised concerns that differences in the quality of care and services may appear between municipalities and across the province (due to, for example, differences in municipal tax bases), the Ministry has not ensured that service levels are comparable across similar jurisdictions in Ontario. In fact, the Ministry informed us that varying service levels are expected, due to the varying resources of municipalities. As for comparability of costs for services, the Ontario Municipal Chief Administrative Officer's Benchmarking Initiative, comprising 17 municipalities in Ontario that identify and share performance statistics and operational best practices, calculated that in 2003, the cost per household of municipally run land ambulance services for the 12 municipalities that reported information ranged from $57 to $150 and averaged $89 among the participating municipalities.

The Ministry had not recently assessed the actual costs of meeting the 1996 response-time standards or determined whether available ministry funding to municipalities was reasonable and equitable in order to better achieve the existence throughout Ontario of a balanced and integrated system of land ambulance services. Rather, the Ministry has generally funded municipalities for 50% of approved eligible costs, based on a funding formula template developed by the Ministry in conjunction with the Land Ambulance Implementation Steering Committee and based on available ministry funding. Approved eligible costs are largely based on the service levels and costs that existed prior to 2001, when municipalities took over responsibility for ambulance services from the province with additional funding for negotiated adjustments and other initiatives such as response-time funding.

The funding formula indicated that the Ministry would consider additional funding for special circumstances, provided that a municipality made a business case for it. Ministry documents indicated that most municipalities did so, but additional Ministry funding was unavailable to address the specific areas identified. Moreover, the $30 million in Response Time Improvement Initiative funding was allocated based not on the relative needs of each municipality, but rather on municipal proposals to reduce response times. The funding allocation was also impacted because the Ministry would only provide funding if a municipality matched it dollar for dollar.

Ministry funding is therefore below 50% of total expenditures reported by municipalities. For example, Ministry documents indicate that the estimated cost-sharing of land ambulance services in 2003 was 47% provincial and 53% municipal; however, some municipalities bore over 60% of the cost. In addition, the Ministry estimated that actual costs will be between $72 million and $103 million higher than approved eligible costs in 2005, due primarily to paramedic wage increases, some of which were determined by a government-appointed arbitrator (the Ministry only funds up to 1% of approved eligible costs relating to wage increases, and municipalities fund the rest). Also in this regard, the Association of Municipal Emergency Medical Services of Ontario, representing land ambulance operators in Ontario, estimated that Ministry funding in 2005 would only cover between 28% and 45% of total municipally reported land ambulance costs.

RECOMMENDATION

The Ministry, in conjunction with the municipalities, should develop a process to better achieve the existence throughout Ontario of a balanced and integrated system of land ambulance services.

MINISTRY RESPONSE

The Minister recently announced that land ambulance discussions between municipal and provincial officials would be convened to discuss a number of issues. Recommendations arising from the discussions are expected to promote the existence of a balanced and integrated system of land ambulance services.

Ministry Monitoring of Costs

As noted earlier, the Ministry provides grants to municipalities of up to 50% of approved eligible land ambulance costs. Each municipality sends the Ministry a signed statement of its annual gross operating costs, which the Ministry relies on to confirm eligible costs. However, the Ministry does not require any additional third-party assurance on the validity or existence of the stated expenditures and does not otherwise monitor municipalities to ensure that funding was spent for the intended purpose (except for some monitoring of the Response Time Improvement Initiative). The Ministry estimates that 85% of ministry-approved eligible costs relate to wages, and it funds a maximum of 1% of any wage increases annually. Other costs are generally funded at the same rate as the prior year.

The Ministry's definition of eligible costs includes municipal reserve funds to offset future land ambulance service costs. Municipalities are permitted to maintain severance, ambulance replacement, and "other" reserves, and the total additions to, reductions of, and final balances of these reserves are reported annually to the Ministry. However, generally no details on the intended use of the "other" reserves or how any of the reserves are ultimately spent were requested by or provided to the Ministry. According to the signed cost statements submitted by municipalities, total cumulative reserves for emergency health services at December 31, 2003 were $47 million. This consisted of $10 million for severance reserves, $16 million for vehicle reserves, and $21 million for "other" reserves. We noted that the Ministry did not place limits on the amount of provincial funding that municipalities could put into reserve funds. Furthermore, we noted that the Ministry funded one municipality at least $4.7 million in 2003 for reserve funds. We believe that the Ministry should reassess its position on allowing municipalities to build up large reserve funds and consider whether third-party or internal-audit assurance on costs claimed by municipalities is warranted—especially for the larger municipalities. For example, the Ministry may want to consider having its Internal Audit Services conduct risk-based audits of municipal costs claimed.

RECOMMENDATION

To better ensure the cost effectiveness of funding for land ambulance services, the Ministry should reassess its position on the size of municipal reserve funds allowed and consider obtaining third-party or internal-audit assurance on costs claimed by municipalities where warranted.

MINISTRY RESPONSE

The Ministry currently monitors municipal spending, including reserves, to ensure that municipalities report that all related ministry funding is spent on land ambulance services. Based upon the funds required to address the future costs of such items as vehicles, equipment, and severance, the Ministry's position is that the accumulated reserves for most municipalities are reasonable. If a municipality accumulates large reserves, the Ministry contacts the municipality to obtain information on the expected disposition of these reserves. The Ministry will conduct further follow-up where necessary to ensure the reasonableness of municipal reserves.

In accordance with the *Municipal Affairs Act*, only the Ministry of Municipal Affairs and Housing may conduct an audit of a municipality. Under the *Municipal Act*, municipalities are required to have an annual audit and to file annual audited financial statements with the Ministry of Municipal Affairs and Housing. If considered necessary, the Ministry will work with the Ministry of Municipal Affairs and Housing to obtain additional assurance on costs claimed by municipalities.

Cross-boundary Billings

To compensate municipalities for providing ambulance services outside their own boundaries, a municipality may bill another municipality for a cross-boundary ambulance trip. A regulation under the *Ambulance Act* defines what can be billed, based on "total costs" and "total number of calls"; it does not, however, provide sufficient clarification for either component. For example, the regulation did not indicate whether:

- "total costs" were net of provincial funding, or the extent to which overhead or capital items, such as the construction of ambulance bases where operators park and maintain fleets, were to be considered in calculating total costs; and
- "total number of calls" included all instances when an ambulance was dispatched, or only those calls where a patient was actually transported.

In fall 2002, the municipal members of the Cross-Border Billings Working Group, comprising municipal and ministry representatives, asked the Ministry to clearly define the amount municipalities could charge each other for cross-boundary calls. In February 2003, the Ministry provided a formal definition that partially clarified "total costs" and "total number of calls."

The Ministry's July 2004 Status Update on the Transfer of Land Ambulance Services Under Local Services Realignment observed that the cross-boundary billing issue was still an unresolved problem of Realignment. In late 2004, the Ministry was informed that municipal representatives were developing a proposal to address cross-boundary charges, but the Ministry had received no formal details on this proposal by May 2005. As well, municipalities had expressed concerns over a lack of timely access to accurate data on calls made outside their municipal boundaries—data that were required for billing purposes. In April 2005, the Association of Municipal Emergency Medical Services of Ontario surveyed its members and found that 35 of 39 survey respondents had neither charged nor paid other municipalities for cross-boundary services since 2001.

RECOMMENDATION

To encourage the quickest response time regardless of municipal boundaries, the Ministry should work with municipalities to help facilitate inter-municipal billing, including:

- **clearly defining the chargeable amount when an ambulance crosses a municipal boundary; and**
- **ensuring that municipalities have timely access to accurate data for billing purposes.**

MINISTRY RESPONSE

The Minister recently announced that land ambulance discussions between provincial and municipal officials would be convened to discuss a number of issues. It is expected that a review of the measures necessary to fulfill this recommendation will be discussed at that forum.

In addition, the Ministry is working with municipalities to provide them with timely access to the ambulance data required for billing purposes.

DISPATCH OPERATIONS

Dispatch centres co-ordinate and direct the movement of all land ambulances in Ontario. As of

May 2005, there were 18 computer-aided dispatch centres: 11 operated by the Ministry, four by hospitals, and three by municipalities. The remaining dispatch centres did not use computer-aided dispatch systems. The Ministry is responsible for funding dispatch centres, which had total expenditures of $79 million in the 2004/05 fiscal year.

Dispatch Priority

An effective dispatch protocol assists dispatch centres to rapidly identify patient problems, assign priority codes (as shown in Figure 3), and provide instructions to callers. Under-prioritizing a call may jeopardize patient safety; consistently over-prioritizing calls, however, places stress on the system and may result in increased response times for the most serious code 4 calls.

In our 2000 audit report, we noted concerns with the dispatch protocol then in use and recommended that the Ministry ensure that dispatch centres appropriately assess and prioritize patient needs. The Ministry indicated at that time that a working group was reviewing the Dispatch Priority Card Index, which is the protocol used by most dispatch centres. In 2000, the working group determined that the Index was "an outdated tool that no longer served its purpose well." The working group concluded that the Index needed to become more medically based and offer more meaningful pre-arrival instructions.

In 2001, the Standing Committee on Public Accounts recommended that the Ministry review whether dispatch centres properly assessed and prioritized patient needs once new initiatives, such as a dispatch protocol, had been in operation for one year. However, the Ministry informed us that a new dispatch protocol Index was being reviewed but had not been implemented because it could not be integrated with the computer-aided system then in use by most dispatch centres. Consequently, at the time of our audit, the original Index was still being used by most dispatch centres, with some modifications in April 2004 to incorporate choking hazards and CPR. No other significant changes were made to address problems identified in 2000 by the working group.

In September 2004, a coroner's inquest recommended that the Index be replaced with an internationally used dispatch protocol, which is continuously updated and improved based on the experiences of the system's users. The coroner's inquest also noted that this system's "precise protocol minimizes judgement on the side of the call takers and dispatchers."

As of May 2005, 12 dispatch centres had implemented a new computer-aided dispatch system, with the remainder expected to implement the system by 2006. The Ministry informed us that this system is compatible with a revised dispatch protocol Index that it planned to introduce once the new computer-aided dispatch system was fully implemented. The Ministry also informed us that it planned to conduct an operational and medical quality review of other dispatch protocols, including the internationally used protocol referred to in the coroner's inquest, to determine which was best for Ontario.

RECOMMENDATION

To help dispatch centres better respond to each patient's needs, the Ministry should expedite a decision on its choice of dispatch protocols.

MINISTRY RESPONSE

The Ministry is evaluating one of many internationally used dispatch protocols as part of the Niagara Ambulance Communication Service pilot project and will use this evaluation to expedite a decision on the choice of dispatch protocols.

Responsibility for Dispatch

The appropriate organization and management of ambulance dispatch centres is necessary for effective and efficient management of ambulance system resources. In our 2000 audit report, we noted there were differences of opinion concerning the governance and management of dispatch centres. The Dispatch Subcommittee of the Land Ambulance Implementation Steering Committee stated that municipalities should have the right to manage ambulance dispatch, but they should not be forced into it. The Ontario Hospital Association, meanwhile, maintained that ambulance dispatch services should remain a provincial responsibility to ensure that both emergency and non-emergency services are co-ordinated and seamless to patients.

In addition, consultants engaged by the Ministry in September 1998 to consider various options for the future of land ambulance dispatch said that dividing the responsibility for ambulances and dispatch "creates significant limitations in the ability to design and implement a more efficient and effective overall system." They also reported that consolidation of existing dispatch centres would improve co-ordination of resources across a wider area and better enable patient access to emergency services. As well, Ministry documents in 2003 indicated an international trend towards a reduction in the number of dispatch centres. We also noted that a number of other jurisdictions were consolidating dispatch centres at the time of our audit. For example, New Zealand's strategic review on ambulance dispatch operations, expected to be fully implemented by late 2006, recommended cutting the number of dispatch centres by more than half and having these centres jointly governed by the ambulance services in that area. While the Ministry has considered the impacts, including cost, of increasing or decreasing the number of dispatch centres, it has not formally evaluated the appropriateness of either the number or the location of dispatch centres across the province since our last audit.

Since 2000, when there were two municipally run dispatch centres in the province, the Ministry has assigned management responsibility for operation of one more dispatch centre to a third municipality and, despite the previously mentioned trends, approved the creation of an additional dispatch centre, which will be evaluated in a five-year pilot project to determine the feasibility of municipalities operating their own dispatch centres. This centre was scheduled to open in June 2005 and will be run by another municipality, whose dispatch boundaries will be primarily the same as its municipal boundaries. The Ministry plans to evaluate the pilot project to determine if individually operated municipal dispatch centres can demonstrate any improvement over centralized dispatch. Given the trend of municipalities being increasingly resistant to having their ambulances respond to calls outside of their municipal boundaries, the impact of municipally run dispatch centres on a seamless emergency response system will need to be carefully assessed.

RECOMMENDATION

To help ensure that ambulance services are integrated, balanced, and efficient, the Ministry should expedite its evaluation of the pilot project, particularly with respect to the issue of municipal versus centralized dispatch, and incorporate best practices and research from other jurisdictions in its determination of the appropriate number, location, and management of ambulance dispatch centres.

MINISTRY RESPONSE

The Ministry is committed to evaluating the pilot project in a timely manner.

Dispatch Staffing

In 2001, the Ministry commissioned an external review to investigate the operations of one ministry-run dispatch centre and recommend changes to enhance the dispatch system. The review noted that it is important to ensure that centres are appropriately staffed in order to dispatch ambulances as quickly and efficiently as possible. In addition, the review observed that many ambulance dispatchers had left to join municipal fire and police dispatch centres. The review recommended more competitive wages to reduce high turnover and attract qualified candidates to ambulance centres. It also recommended a reduction in the ratio of calls to dispatcher, from the then-current 5,500 calls annually per full-time staff dispatcher to about 4,200 calls, which more closely approximates the workloads of other jurisdictions. As a result, the Ministry approved wage increases in 2002 and again in 2004 and introduced policy changes to reduce the ratio to 4,200 calls per full-time staff dispatcher. At the time of our audit, however, some dispatch centres had been unable to meet the new target ratio.

The Ministry observed in 2003 that, despite these policy changes, recruiting and retaining staff at dispatch centres continued to be difficult, and the Ministry found that almost one dispatcher left for every two hired for the first seven months of 2003. While the Ministry informed us that it is reviewing turnover rates, information was not readily available on the total number of dispatchers who left in 2004. In addition, the Ministry informed us that recent contract negotiations have resulted in ministry dispatchers being paid a wage more competitive with municipal dispatchers, including fire and police dispatchers. We will follow up on the status of dispatcher turnover rates at the time of our next audit.

REVIEWS

Reviews of Land Ambulance Operators

Starting in 2000, the *Ambulance Act* required the certification of all land ambulance service operators at least once every three years. Service reviews conducted by ministry-led peer review teams determine if operators are meeting certification standards. These reviews include an evaluation of the level and type of ambulance service provided, the qualifications of patient-care providers, maintenance of vehicles and equipment in accordance with standards, compliance with response-time standards, and measures taken to ensure proper patient care. The Ministry considered operators to be meeting certification standards if their only deficiency was failure to meet response-time standards.

Reports on whether certification standards are met, along with any recommendations, are forwarded to the service operator. Follow-up inspections, or follow-up service reviews for operators with more significant issues, are conducted by the Ministry to ensure that recommendations are implemented. Under the *Ambulance Act*, the Ministry may also issue a Director's Order to operators requiring that changes be made within a specified time if the operators have failed to meet certification standards.

In our 2000 audit report, we recommended that the Ministry consider unannounced certification reviews to ensure consistent quality of practice by operators. We noted in our current audit, however, that ambulance operators continued to receive 90 days' advance warning of a service review. The Ministry also generally gave advance notice of follow-up inspections and follow-up service reviews.

We found that service reviews were generally conducted within the required three-year period. However, based on ministry records, we calculated that between 2002 and 2004, 43% of operators did not meet the certification standards during their service review. In our 2000 audit report, we recommended that the Ministry ensure a timely, co-ordinated follow-up of all deficiencies identified during service reviews. At the time of our current audit, however, ministry policies did not require a follow-up service review or inspection until at least 60 days after the Ministry received the operator's response to the service review report. Furthermore, at least 50% of operators who did not meet certification standards in 2003 and 2004 had no follow-up inspection or service review within six months.

In addition, some of the files we reviewed indicated that, between 2002 and 2004, ambulance operators did not meet certification standards but were still recertified, without any documentation to support the decision. For example, one operator we reviewed continued to provide ambulance services despite repeated instances of non-compliance with certification standards between 2001 and 2004. Examples of the operator's non-compliance included improperly completed Ambulance Call Reports (including details of patient examination and status), inadequate securing of patient-care equipment in ambulances, and failing to document whether paramedics had completed core training or been immunized against communicable diseases.

We also recommended in our 2000 audit report that the Ministry clarify those circumstances when operator certification should be revoked. Such a policy had not been developed at the time of our current audit, and no service providers have had their certification revoked since the province began certifying operators in 2000.

The Ministry noted that Director's Orders were often more effective than service review reports in achieving timely compliance with service review recommendations because they were also addressed to municipal councils. We were informed that Director's Orders were issued based on the professional judgment of senior ministry personnel. We noted, however, that Director's Orders were not consistently issued based on service review results. For example, a Director's Order was issued to one service provider who did not pass a service review in 2004, while others who also failed to pass—and in fact received lower overall evaluations—did not receive a Director's Order.

RECOMMENDATION

To better ensure that land ambulance service operators meet certification standards, the Ministry should:

- conduct, based on risk, a reasonable number of service reviews on an unannounced basis to increase assurance of consistent quality of practice by operators;
- where operators do not meet certification standards, conduct the required follow-up service reviews and inspections on a more timely basis; and
- clarify when Director's Orders should be issued and under what circumstances formal consideration of revoking an operator's certification should be undertaken.

MINISTRY RESPONSE

In accordance with the certification standards, service reviews of ambulance operators are announced in advance. Since service reviews require a significant commitment of ambulance operator time and resources while the review team is on-site, conducting these reviews without warning and proper planning on the part of both parties might present a serious risk of disrupting the ambulance operator's delivery of land ambulance services. In concert with municipal representatives, the Ministry will review the certification standards and assess the appropriateness of unannounced service reviews.

The standard is to send the draft service review report to the service provider within 60 days following the conclusion of the review visit. The service provider is given 60 days within which to respond to the review findings.

Follow-up visits are scheduled for 60 to 90 days following receipt of the operator's response to the draft service review report. In concert with municipal representatives, the Ministry will review this standard to determine the reasonableness of conducting follow-up reviews on a more timely basis.

Director's Orders are reserved for infractions that have a direct bearing on patient care or public safety (for example, use of unqualified staff or unsafe equipment) or when a municipality is seen to be consistently failing to comply with the legislation or failing to follow up on the recommendations of a service review. To date, compliance has been achieved without the need for revocation of a certificate. The Ministry will review when Director's Orders or revocation of an operator's certificate should be considered.

Reviews of Dispatch Centres

Operational reviews of dispatch centres are intended to ensure compliance with ministry requirements, including policies on staff qualifications, appropriate provision of service, and proper procedures for responding to emergency calls. In our 2000 audit report, we noted that the Ministry had conducted operational reviews on only 37% of dispatch centres. We recommended that the Ministry review all dispatch centres within reasonable time frames and resolve all identified deficiencies on a timely basis. In 2001, the Standing Committee on Public Accounts also recommended that the Ministry document the findings and timing of its operational reviews of dispatch centres to ensure timely checks, reporting, and corrective action.

Although the Ministry indicated that it would develop schedules to ensure that operational reviews were conducted within reasonable time frames, it had conducted only one review of a dispatch centre since our 2000 audit, and the review results had not been finalized at the time of our audit fieldwork. The Ministry informed us that reviews were generally not conducted because it believed that such reviews would disrupt the operational integrity of dispatch centres and create a public safety risk, due to the previously cited staffing problems and other pressures, including the introduction of new technologies. The Ministry expected greater staffing and technology stability at dispatch centres upon full implementation in 2006 of the new computer-aided dispatch system discussed in the Dispatch Priority section of this report. The Ministry also informed us that it was redeveloping its operational review process for dispatch centres and expected to have it implemented in fall 2005.

While ministry-performed reviews were generally not done, an external review of one dispatch centre, conducted at the request of municipalities concerned with that dispatch centre's operations, recommended that the Ministry introduce a well-defined and active internal quality-assurance program to:

- routinely monitor and assess the dispatch centre's overall operational performance, and the performance of individual dispatchers;
- identify and implement corrective actions when warranted; and
- follow up and evaluate the effectiveness of these actions.

The report noted that quality-assurance programs covering dispatch protocols were in place in other jurisdictions. Such programs track and evaluate how well dispatchers perform their duties, including how quickly they assess calls. We further noted that the agreement with one municipality required a rigorous quality-assurance process involving the review of a sample of calls to ensure that proper policies and protocols were followed for call receipt and ambulance dispatch. Our review of the quality-assurance process results indicated that this process has contributed to improvements in the dispatch centre's operations, such as improvements in the dispatcher's obtaining of required information on the patient's condition from callers. Although the Ministry informed us that it was piloting a standardized internal quality-assurance process with the objective of implementing it in the other dispatch centres, at the time of our audit dispatch centres used varying quality-assurance processes.

RECOMMENDATION

To help ensure that land ambulance dispatch centres are effective and comply with ministry standards, the Ministry should:

- perform periodic reviews of the dispatch centres' operations, including a review of a sample of calls to determine whether they are appropriately handled and prioritized; and
- implement a standardized quality-assurance process to monitor and assess the overall operational performance of all dispatch centres and the individual performance of dispatchers.

MINISTRY RESPONSE

Dispatch-centre staffing has recently been stabilized, and a prototype service review has been piloted. A regular review of dispatch centres is scheduled to commence in fall 2005 with a view to reviewing six or seven dispatch centres per year. The review process for dispatch centres contains a call-sampling tool for use in reviewing call priority and management by call takers and dispatchers.

A standardized quality-assurance process for dispatch centres has been developed, and a pilot has been in progress in four dispatch centres in Eastern Ontario since spring 2005. The final quality-assurance program will be implemented in all dispatch centres by March 2006.

BASE HOSPITALS

Base hospitals are ministry-designated hospitals that train, certify, and provide on-the-job medical direction to paramedics. They also monitor and evaluate the care provided by paramedics by reviewing Ambulance Call Reports, the medical record used by paramedics to document each call. There are 21 base hospitals across the province.

In 2002, the Ministry asked the Ontario Base Hospital Group Executive, representing base hospitals, to review base hospital operations. One objective of the review was a rationalization of services. The review also included:

- identifying core business activities;
- examining the changing responsibilities of paramedics;
- determining whether core activities could be delivered more effectively; and
- determining whether resources could be applied more effectively.

The Executive reported in 2002 that there was a lack of consistency, standardization, and benchmarking among base hospitals. It maintained that an effective standardized provincial approach to base hospital performance agreements, medical directives, and continuing medical education for paramedics would produce better results and more timely quality-assurance data. The Executive further noted that medical directives providing direction to paramedics were not being updated on a timely basis. The Ministry informed us that it did not accept the Executive's report and recommendations because the Executive's review had not fulfilled its assigned mandate—for example, it did not outline the core activities of base hospitals.

We noted that the base hospital performance agreements had not been revised to reflect the new relationship between municipalities and base hospitals arising from Realignment. In addition, we noted that, since 2000, the Ministry had not approved any new medical directives, which are used by paramedics to treat patients.

In 2003, the Ministry established a working group, consisting of ministry and base hospital representatives, to review the organization of base hospitals in order to provide options for a more efficient, effective, and sustainable base hospital system and to enhance program accountability for base hospitals. This working group's recommendations included:

- establishing a regional structure for base hospitals to ensure a more consistent application of provincial standards, including medical delegation, and an equitable distribution of resources;
- setting a target for the minimum number of paramedics under each regional program to enable specialization and promotion of efficiency, maximization of available program staff, and reduction of duplication; and
- realigning provincial funding of base hospitals to ensure that it reflects the rationalization.

The Ministry indicated to us that, despite the fact that there were ministry representatives in the working group, it did not accept the working group's recommendations, for reasons similar to those it had for not accepting the Executive's 2002 report and recommendations.

At the time of our audit, with the exception of the recent voluntary amalgamation of two base hospitals, no further rationalization of the 21 base hospitals had taken place. The Ministry indicated that a physician had been appointed in spring 2005 with the lead responsibility for defining the future structure of the base hospital program.

Base Hospital Reporting

Base hospitals are required to submit annual reports to the Ministry on a variety of operational and quality-of-care issues. A ministry analysis of annual reports for the 2003/04 fiscal year noted many areas where base hospital practices and reporting were inconsistent and where funding of base hospitals was not equitable. The analysis indicated that:

- Fourteen percent of base hospitals did not report the number of patient-care errors and omissions (that is, paramedics not providing patient treatment in accordance with established standards), while the others reported a total of 1,170 errors and omissions.
- Despite a requirement to do so, only 55% of the base hospitals said that they monitored 100% of the Ambulance Call Reports (ACRs) involving paramedics' use of advanced life-support techniques, such as non-automated external cardiac defibrillation and monitoring. For example, one base hospital was required to have monitored almost 8,000 ACRs but monitored only about 4,800.
- Based on budgeted funding, the cost of providing base hospital support to paramedics ranged from $1,600 to $3,000 per paramedic.

We also reviewed a sample of base hospital annual reports and identified similar issues regarding the lack of consistency and completeness of reported information. For example, despite a requirement to do so, none of the base hospital reports included any summary of the overall results of quality-assurance activities regarding patient-care skills, such as the success rates of certain paramedic interventions.

The Ministry conducts service reviews of base hospitals every three years or so, which includes evaluating whether the base hospitals meet the requirements set out in their performance agreements with the Ministry. One requirement stipulates a consistent and equitable process for identifying, recertifying, and decertifying paramedics who have breached medical standards of practice. Another calls for chart audits involving ambulance calls where certain procedures may have been required but were not performed. We further noted that, based on service reviews conducted by the Ministry between 2001 and 2004, 23% of base hospitals did not meet, or only partially met, ministry requirements. In addition, although the Ministry informed us that it regularly followed up to ensure that deficiencies were corrected, it was generally unable to provide us with supporting documentation.

RECOMMENDATION

To better ensure that paramedics provide quality patient care, the Ministry should determine the optimal number and distribution of base hospitals (since such hospitals train, certify, and provide medical direction to paramedics) and ensure that base hospitals adhere to consistent standards regarding areas such as quality assurance and the continuing medical education of paramedics.

MINISTRY RESPONSE

The lead for the transformation of medical transportation for the province, appointed in spring 2005, has been charged with the responsibility to review the delivery of base hospital program services and to recommend the optimal number and distribution of base hospital programs. The Ministry is expecting a report from the lead in fall 2005.

COMPLAINTS AND INCIDENTS

The *Ambulance Act* states that the Minister has the duty and power to investigate complaints about ambulance services. Ministry records indicate that the Ministry conducts approximately 80 such investigations each year.

In our 2000 audit report, we recommended that the Ministry establish clear lines of responsibility for following up on deficiencies identified in complaint investigation reports. We also recommended that it ensure that follow-ups were completed and documented to better enable it to assess whether complaints were satisfactorily resolved. In our current audit, we found that the Ministry generally logged, assigned, and investigated the complaints it received in a timely manner. Furthermore, the Ministry was generally following up on deficiencies identified.

However, most complaints about ambulance services are made not to the Ministry but to the service provider. For example, one municipality reported receiving about 300 complaints in 2004. Ministry policy requires service providers to complete incident reports for each complaint, each investigation they conduct, and every unusual occurrence (including delays in accessing a patient or an excessive amount of time on the scene). However, there is no requirement to forward incident reports to the Ministry unless they relate to an unusual occurrence. Furthermore, ministry policy does not specifically define what constitutes an "unusual" occurrence with respect to response times or other delays; rather, this is left up to each service provider. However, municipalities may voluntarily forward other incident reports to the Ministry.

RECOMMENDATION

To help ensure that recurring potential problems are identified as early as possible, the Ministry and the municipalities should jointly develop and implement a process to ensure that the Ministry receives adequate information on the nature and resolution of the more serious complaints made about land ambulance services.

MINISTRY RESPONSE

Ministry staff have agreed with municipal officials on an investigations protocol that addresses the operational practices on the part of both parties when handling complaints about service delivery. Further consultation will be held with the municipal representatives to improve compliance with the reporting requirements in the legislation and the protocol.

Ministry staff have been tracking investigations and their follow-up and assessing the type, nature, and frequency of each type of complaint. This process will continue.

PERFORMANCE MEASUREMENT AND REPORTING

Effective accountability requires that patients and their families, the Legislature, and the general public be provided with timely and reliable information about the performance of land ambulance services. As well, performance information is needed to enable the Ministry to make funding decisions, and evaluate the extent to which the system is providing integrated and seamless service, and quality care.

In our 2000 audit report, we recommended that the Ministry research systems for analyzing operator performance and its impact on patient outcomes to help ensure that the land ambulance system effectively meets patient needs.

Subsequent to our audit, the Standing Committee on Public Accounts recommended in 2001 that the Ministry should ensure compliance with municipal response-time standards throughout the province. The Committee also recommended that the results of the monitoring be evaluated and made public on a regular basis. This would provide public disclosure, transparency, and accountability for achievement of land ambulance response-time standards in all Ontario jurisdictions.

We found that the Ministry monitored dispatch-centre and municipal ambulance service response times on a regular basis but was not making its findings public. We noted that some jurisdictions outside Ontario reported annually on response times. In addition, as previously mentioned in this report, the Ministry conducted service reviews of land ambulance operators, including elements of operator performance, such as patient-care management. These reviews are to be done once every three years. However, the results of the reviews are not made public.

We also found that other jurisdictions used additional performance indicators, including survival rates for cardiac arrests, patient satisfaction, and appropriate administration of acetylsalicylic acid (Aspirin) for suspected coronary artery disease (heart attack). They reported publicly on these indicators and stated that they were planning to implement others.

RECOMMENDATION

To help ensure that ambulance services are accountable and to support continuous improvement in services, the Ministry and municipalities should jointly establish pertinent performance measures such as response times and report publicly and regularly on these land ambulance service performance measures.

MINISTRY RESPONSE

The Minister recently announced that land ambulance discussions between municipal and provincial officials would be convened to discuss a number of issues. It is anticipated that a discussion relating to this recommendation will be included at that forum.

Chapter 3

Ministry of Government Services

Section 3.03 Charitable Gaming

Background

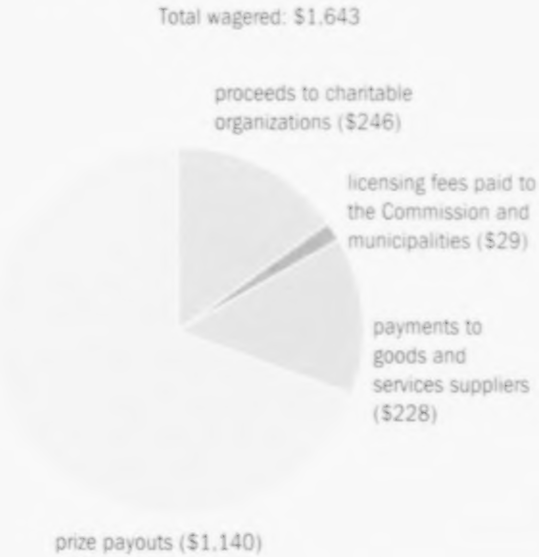
Under the Criminal Code of Canada, provinces are assigned the responsibility for operating, licensing, and regulating legal forms of gaming. A charitable organization, pursuant to a licence issued under the authority of the province, can conduct and manage charitable gaming provided that the net proceeds are used for a charitable purpose. The Alcohol and Gaming Commission of Ontario (Commission) was established on February 23, 1998, as a regulatory agency that operates under the *Alcohol and Gaming Regulation and Public Protection Act, 1996.* Its mandate relating to charitable gaming is to ensure that the games are conducted in the public interest, by people with integrity, and in a manner that is socially and financially responsible.

Ontario is one of the largest charitable gaming markets in North America. The Commission estimates that approximately $1.6 billion was wagered in 2003 by the public on charitable gaming province-wide. Charitable gaming activities include bingo events, sales of break-open tickets (a type of instant-win lottery ticket, also called Nevada or pull-tab tickets), and local and province-wide raffles. Each single occasion of such an activity is known as a lottery event. Charitable gaming in Ontario benefits thousands of local community charitable organizations, which received net revenues estimated by the Commission at $246 million for 2003. (See Figure 1.)

The Commission is responsible for charitable gaming using a regulatory framework of legislation and policies, supplier and employee registrations, licensing of lottery events, inspection, and enforcement. It assumed responsibility for the administration of legislation previously administered by the former Gaming Control Commission. Annually, the Commission registers about 9,600 businesses and individuals, and issues about 2,600 lottery licences,

Figure 1: Estimate of Money Wagered in Charitable Gaming, 2003 ($ million)

Source of data: Alcohol and Gaming Commission of Ontario



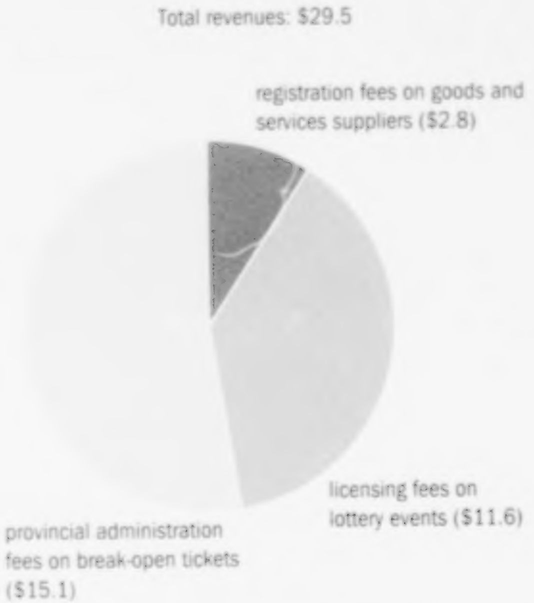
primarily for province-wide or large-dollar lottery events. The province has granted municipalities the authority to issue licences, and they issue about 43,000 licences annually for smaller local lottery events.

In the 2004/05 fiscal year, the Commission spent approximately $11 million on its charitable gaming–related regulatory activities, primarily for staffing costs, and received approximately $30 million in fees from charitable gaming sources (see Figure 2).

The Commission's operations are located at its main head/regional office in Toronto and nine regional offices in Ontario. Regional offices are staffed with members of the Ontario Provincial Police and liquor licence inspectors, who conduct inspections of gaming facilities and break-open ticket sellers.

Figure 2: Charitable Gaming Fees Paid to the Province, 2004/05 ($ million)

Source of data: Alcohol and Gaming Commission of Ontario



Audit Objective and Scope

Our audit objective was to assess whether the Commission had adequate systems and procedures in place to:

- effectively and efficiently fulfill its mandate of ensuring that charitable gaming is conducted in the public interest, by people with integrity, and in a manner that is socially and financially responsible; and
- ensure compliance with legislation and Commission policies that are established for charity gaming.

Our audit fieldwork included a review of relevant files and administrative policies and interviews of staff at the Commission's head office and three regional offices.

In addition to our work at the Commission, we also met with lottery licensing representatives from six municipalities and with the Ontario Charitable Gaming Association, which represents a number of charities involved in charitable gaming activities. We surveyed approximately 100 municipalities with lottery licensing offices about their views on the delivery of the charitable gaming program. We received excellent co-operation from the municipalities, with over 90% of them responding to our survey.

Our audit was conducted in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

We did not rely on the Ministry of Government Services' internal auditors, who provide their services to the Commission, to reduce the extent of our procedures because they had not conducted any recent work in the areas covered by our audit.

COMMISSION'S DISAGREEMENT WITH SCOPE

Prior to the commencement of our audit, we identified the audit criteria that would be used to conclude on the audit objective. These were reviewed by senior Commission management and accepted, except for the following criteria that pertained to the Commission's relationship with municipalities:

- Clearly defined roles, responsibilities, and performance expectations are understood by all parties.
- Appropriate oversight is in place to ensure compliance with gaming legislation and to ensure that performance expectations are met.
- Processes have been established to report on performance and mechanisms for ongoing exchange of information and to provide for consistency in approaches to the extent possible among licensing authorities.

Senior management at the Commission did not believe that it has the legislative authority to oversee municipal licensing activities. Notwithstanding, we still considered it necessary as part of our audit to evaluate whether the Commission had established effective relationships with municipalities, particularly since municipalities issue the vast majority of licences and the Commission is responsible for regulating charitable gaming in the province. This matter is discussed in the Oversight of Municipal Gaming section of this report.

Summary

Municipalities issue close to 95% of the charitable gaming licences issued in Ontario. Since the Commission believes it does not have the legislative authority to oversee municipal licensing activities, it had not established any processes for doing so. However, we believe the Commission's interpretation of its legislative authority is overly narrow. Without appropriate oversight of and co-ordination with municipalities' licensing activities, the Commission cannot effectively fulfill its mandate of ensuring the honesty and integrity of gaming in the province. For instance, it has no assurance that charitable organizations are getting the proceeds from gaming that they are entitled to and that those proceeds are being used for charitable purposes.

Feedback we received from almost 100 municipalities identified best practices and a number of areas where the Commission's support to municipalities could be improved. Many municipalities indicated that they would appreciate additional support and guidance in determining charitable organizations' eligibility and assessing their financial reporting. As an example of a best practice that could be promoted among municipalities, we noted that an ongoing program of licence reviews developed by one municipality had identified over $3 million of charitable proceeds since 1997 that should have been used for charitable purposes but were not.

We also noted several areas where the Commission-delivered regulatory activities required strengthening, as follows:

- The Commission has generally established good registration requirements to assess the character, financial history, and competence of the key players in the charitable gaming industry. However, it did not ensure that these requirements were consistently met, nor did it periodically verify whether registrants adhered to the terms and conditions of registration.
- Procedures were often not followed with respect to assessing an organization's eligibility for a licence, ensuring that lottery proceeds were used for approved charitable purposes, and verifying that required terms and conditions of a licence were met. New licences were still provided to organizations for subsequent lottery events without evidence of any follow-up on missing documents required from the

organization, such as reports of the use of proceeds from previous lottery events.

- The Commission had not established formal policies for inspections and enforcement with respect to charitable gaming activities, such as using a risk-based approach to planning and conducting its inspections. For example, no inspection programs or audits were conducted for the two break-open ticket manufacturers that serve all of Ontario or for the approximately 50 break-open ticket agents, which supply about 90% of all tickets from these manufacturers. For inspections and investigations that were carried out on bingo operators and break-open ticket sellers, half of the municipalities we surveyed indicated that they were not informed of the results by the liquor licence inspectors or the OPP.
- In 1997, the Management Board of Cabinet provided funding to strengthen controls and ongoing funding to hire six additional staff to monitor and audit the production and distribution of break-open tickets. However, many of the key controls and the six dedicated staff approved to oversee this high-risk area were never put in place. Consequently, the Commission had no assurances that adequate controls were in place over break-open ticket sales or that the $15 million that ticket manufacturers were remitting to the province as the provincial administration fee was the correct amount.

We also made recommendations for ensuring that the Commission follows prudent project management practices, including the requirements of the Management Board of Cabinet directives governing information technology projects and use of consultants. We further recommended that the Commission develop more comprehensive indicators for measuring and reporting on its performance with respect to charitable gaming and include municipalities' contribution to regulating gaming activities in its indicators.

Detailed Audit Observations

RECENT COMMISSION INITIATIVE

Changing market conditions over the last decade have resulted in a significant decline in the number of charities raising funds through charitable gaming, and for those charities that have continued to do so, there has been a significant decline in the revenues generated. For instance, in 1996 the gross amount wagered on bingo was estimated by the Commission at $1.2 billion; by 2003, the estimated gross wager for bingo had declined to just over $1 billion. In 1997, sales of break-open tickets were estimated at $1.2 billion; by 2003, estimated sales had declined to $360 million. The supporting industry has also suffered, with the number of break-open ticket sellers and the number of bingo centres declining by almost 50% since the early 1990s.

As regulator, the Commission does not promote charitable gaming, but rather focuses on ensuring that its regulatory framework allows the industry to operate in an efficient and effective manner.

In May 2005, the Commission initiated a comprehensive review of the charitable gaming regulatory structure—the first since the current structure was put in place in the early 1990s—to ensure that the regulatory structure was adequate to achieve its objectives. These objectives include charitable gaming activities that are honest, have integrity, meet expected standards, and help organizations meet their financial needs to deliver charitable programs to their communities.

A major part of the review involved a consultation process during the summer of 2005 to obtain input from interested parties that will be used to help develop the key priorities, and best solutions and recommendations, for positive change.

Figure 3: Summary of Licensing Framework for Lottery Events

Prepared by the Office of the Auditor General of Ontario

Events Licensed by Commission	Events Licensed by Municipalities
bingo events for prizes totalling over $5,500	bingo events for prizes totalling $5,500 and under
ticket raffle lotteries for total prizes over $50,000	ticket raffle lotteries for total prizes of $50,000 and under
break-open ticket lotteries that sell throughout the province or at bingo events	break-open ticket lotteries for local community organizations
all lottery events conducted in unorganized territories	bazaar lotteries with prizes up to $500
all lottery events at designated fairs or exhibitions	
social gaming events	

OVERVIEW OF REGULATORY FRAMEWORK

Charitable organizations wishing to hold lottery events must apply for a licence and manage their events in accordance with the terms and conditions of the licence. To be eligible for a licence, an applicant must be a not-for-profit organization that funds and/or operates charitable programs for the relief of poverty, the advancement of education or religion, or other charitable purposes beneficial to the community. The organization must also have been in existence for at least one year, have established itself in Ontario, and use the lottery event's net proceeds to directly benefit Ontario residents (for instance, with few exceptions, net proceeds cannot be used to fund the charitable organization's overhead expenses or for charitable activities outside Ontario).

The licensing framework and the limits of provincial and municipal licensing are prescribed under Order-in-Council, as summarized in Figure 3.

The terms and conditions of a licence require the organization to provide the Commission or municipality, within 30 days after the lottery event, with a financial report that outlines the results of the lottery event and how the proceeds were used. Each year, the organization must also provide a financial statement outlining the financial details of all lottery events conducted during the fiscal year.

For organizations that obtain net lottery proceeds of $50,000 or more during a year, the financial statements are required to be reviewed for reasonableness by a licensed public accountant. These organizations must also provide a compliance report from a public accountant assessing compliance with licensing terms and conditions and with regulations relating to the lottery events.

Municipalities issue almost 95% of charitable gaming licences in Ontario. During the 2003/04 fiscal year, they issued about 43,000 licences and received fees of about $17 million. A municipality may attach licence terms and conditions in addition to those established by the Commission provided that they do not conflict with provincial terms and conditions or policies.

To assist municipalities in exercising their authority, the Commission establishes the terms and conditions for each type of licence, provides guidance on determining an organization's eligibility for a licence, provides training, and conducts and may assist in compliance and enforcement activities.

In the 2003/04 fiscal year, the Commission issued about 2,600 provincial lottery licences for large-dollar or province-wide lottery events and collected fees of approximately $11.6 million.

Under the *Gaming Control Act, 1992*, businesses and individuals that supply gaming equipment and services to charitable gaming activities must be registered by the Commission after passing a background check. In the 2003/04 fiscal year, the Commission registered about 9,600 bingo hall operators, bingo paper and break-open ticket manufacturers, gaming service and equipment manufacturers and suppliers, break-open ticket agents (who supply tickets on behalf of charitable organizations to break-open ticket sellers), break-open ticket sellers, and key employees (known as gaming assistants) in gaming establishments.

To assess compliance with legislation and Commission policy, and to identify and address violations, the Commission is also responsible for conducting inspections and investigations of gaming equipment and services suppliers and, where warranted, charitable organizations.

The province has standards and regulations in place to ensure the integrity of the charitable gaming industry and that gaming is conducted in the public interest. Notwithstanding the existing regulatory framework, we identified areas where administration needed to be strengthened to ensure that the standards and regulations were adhered to.

OVERSIGHT OF MUNICIPAL GAMING

Commission Roles and Responsibilities

The Commission informed us that the province and municipalities are partners in licensing charitable gaming activities. Beyond that, however, senior Commission management was of the opinion that, outside of establishing the terms and conditions of licensing and providing municipalities with directions and training, the Commission had no obligation and legislative authority to oversee municipal lottery licensing programs. Such oversight could include ensuring that licences are actually issued to organizations in accordance with the Commission's requirements, such as those regarding eligibility, use of proceeds, and financial reporting. The information routinely requested from municipalities was limited primarily to statistics on the number of licences issued and the total fees collected.

We believe the Commission's interpretation of its legislative authority is overly narrow. Municipalities issue close to 95% of the charitable gaming licences issued in Ontario annually. Therefore, without appropriate oversight of and co-ordination with municipalities' licensing activities we believe that the Commission cannot effectively fulfill its responsibility of ensuring the honesty and integrity of gaming in Ontario in any meaningful manner.

In addition, the Minister of Government Services is ultimately accountable for the effective administration of the gaming legislation and for the actions taken by the Commission. In this regard, under the current accountability relationship, in our opinion the Commission is a critical link between the municipalities and the province in helping the Minister fulfill his or her mandate. We believe that the governing Order-in-Council provides the Commission with substantial authority for ensuring that licences, including those issued by municipalities, meet minimum standards. For instance:

- The Commission may determine whether a charitable organization is eligible for a licence to conduct and manage a lottery event. Municipalities are required to determine eligibility using the Commission's policies.
- The application for a licence and the licence issued by a municipality are required to be in the form prescribed by the Commission.
- The Commission may attach terms and conditions to any licence, and a municipal council may attach terms and conditions to a licence issued by the municipal council. However, in the event that the terms or conditions imposed by a municipal council conflict with those imposed by the Commission, the ones imposed by the Commission apply.
- The Commission may at any time suspend or cancel a licence issued by a municipal council

if the licence was not issued in accordance with the Commission's policies or guidelines.

- A report prescribed by the Commission or a copy of each licence issued by a municipal council is required to be forwarded to the Commission.

We recognize that municipalities have substantial independence. However, in our opinion, the Order-in-Council does not limit the Commission in its ability to oversee and to request information pertaining to municipalities' licensing operations. Given that the Commission establishes policies and procedures, we believe that it has the authority to ensure that those policies and procedures are being adhered to. In our interpretation, the Commission not only has the legislative authority to oversee municipal licensing programs but likely has an obligation under the legislation to do so.

As a result of the limited amount of information available at the Commission, we found it necessary to survey municipalities to request more useful information, as well as their opinions regarding such matters as their licensing procedures, reliance on the Commission for training and support, enforcement activities, and quality control processes. The results of an over 90% response rate to our survey and our discussions with a number of municipalities' lottery licensing representatives clearly conveyed to us that they strongly supported actions that would help ensure that charitable gaming activities were administered in accordance with high standards. Specifically, it was clear to us that municipalities were interested and would be co-operative in sharing information on their activities, experiences, and best practices with the Commission and would be interested in the experiences of other municipalities in dealing with charitable organizations.

Municipal Licensing Activities and Best Practices

Our discussions with representatives of municipalities and the results of our survey identified significant variances between municipal licensing operations with regard to information and information systems, training provided to charitable organizations, procedures for verification of proceeds, and inspection and enforcement activities. We noted that many municipalities had already established quality-control procedures for their licensing operations, but others had not. We believe that the Commission could provide valuable guidance on establishing such procedures to ensure that appropriate and consistent standards are met for issuing licences across the province.

We also identified certain areas where the Commission's support to municipalities could be improved. For example, the licensing policies and procedures provided by the Commission to the municipalities were outdated. Municipalities indicated that updating and change were most needed in the following areas: determining organizations' eligibility, assessing organizations' use of proceeds, and reviewing organizations' financial reporting. In addition, over 70% of the municipalities surveyed indicated that some sort of regular training would be useful.

Many of the charitable organizations serving local communities are limited by their small size. As a result, they must rely heavily on volunteers (who might not be knowledgeable about operating a business) and/or employ only a few employees to deliver and manage their operations. Therefore, municipalities require sufficient funding to adequately monitor charitable gaming licences issued to these organizations and ensure that licensing terms and conditions are met. In this regard, we noted that the revenues that most municipalities, especially the larger ones, received from lottery licensing did exceed the costs of delivering their licensing programs. Several municipalities had used gaming licence revenues to establish additional monitoring activities that we believe other municipalities could find useful in administering their licensing programs.

For example, one municipality (which received licensing fees of $274,000 in the 2003/04 fiscal year) established an ongoing program of engaging a public accountant, at a cost of about $70,000 per year, to conduct financial reviews with respect to all licences issued to the charitable organizations within its jurisdiction. The public accountant routinely found significant deficiencies in the charitable organizations' lottery-related financial records. As a result of these reviews, since 1997 inappropriate and ineligible expenses of over $3 million were identified. The municipality informed us that organizations were required to correct any deficiencies before being granted future licences. In other examples, municipalities supplemented the inspections and investigations activities carried out by the Commission with their own by using bylaw enforcement officers or by hiring additional local police.

We believe that by taking a more proactive role in working with municipalities to disseminate best practices and to co-ordinate training and quality assurance, the Commission could better fulfill its responsibility of ensuring fair gaming that meets regulatory requirements.

RECOMMENDATION

To fulfill its legislated responsibilities and ensure that charitable gaming in Ontario is effectively regulated, the Commission should work with municipalities to establish appropriate oversight and support for municipal licensing activities that includes:

- ensuring that the respective roles of the municipal councils and the Commission are clearly articulated and accepted to eliminate any gaps or duplication in regulating charitable gaming in Ontario;
- obtaining sufficient, relevant information from municipalities to allow meaningful assessment of the effectiveness of licensing activities province-wide;
- implementing procedures for sharing information and promoting best practices; and
- conducting ongoing assessments of the training and policies that it provides to municipalities and addressing any needs identified.

COMMISSION RESPONSE

The Commission is guided by its interpretation of Order-in-Council 2688/93, as amended, in its relationship with municipalities. This interpretation is one that respects municipal councils' autonomy and decision-making. The Commission has taken several steps to improve its support for municipal licensing activities, including:

- establishing strategic working groups for the bingo and break-open ticket sectors of the charitable gaming market (the strategic working groups include representation from municipalities through the Association of Municipal Managers, Clerks and Treasurers of Ontario [AMCTO]);
- releasing a revised Lottery Licensing Policy Manual in May 2005 that included all changes in policy to early 2005 (a series of seminars have been scheduled in co-operation with AMCTO for municipal licensing officers);
- providing, through Commission staff attending in the municipality, ongoing training on topics specified by individual municipalities or groups of municipalities; and
- providing ongoing assistance by telephone on a day-to-day basis.

The Commission believes that the regulation of charitable gaming should allow the industry to be competitive and raise necessary funds for charitable and religious organizations. Also,

regulation must ensure that the industry is operated with honesty, integrity, in the public interest, and in a responsible manner. To this end, the Commission released a consultation paper on the modernization of charitable gaming in May 2005. The results of that consultation will lead to consideration of further changes in the regulatory structure and the making of recommendations to the government with respect to the role of municipal councils and their accountability for the licensing activity.

In regard to the Auditor General's findings, the Commission acknowledges that limited information is available on municipal licensing activities. The Commission will work with municipalities and the AMCTO to explore areas for greater co-operation and information-sharing. This will also include further improving any training and support municipalities may require.

COMMISSION-DELIVERED REGULATORY ACTIVITIES

Registrations

As part of the process of registering suppliers and gaming assistants, the Commission investigates applicants' character, financial history, and competence. It can deny, suspend, or revoke a registration if there are reasonable grounds to believe that the applicant will not be responsible in conducting its business and will not act in accordance with law or with integrity, honesty, or in the public interest.

For the 2003/04 fiscal year, the Commission received registration fees totalling about $2.8 million from registrations issued to about 9,600 gaming equipment and services suppliers (two print manufacturers, and about 125 bingo halls, 50 break-open ticket agents, 5,700 break-open ticket sellers, and over 3,600 gaming assistants).

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Gaming suppliers are required to post a registration certificate at their establishments, and a photo ID issued by the Commission is to be worn by gaming assistants while working at gaming establishments.

Controls over Registration Process

The Commission has established several key controls over the registration process. For example, Ontario Provincial Police officers assigned to the Commission annually conduct investigations of registrants that may include checking their financial, criminal, and legal status, and contacting references. In addition, each registration has terms and conditions attached (such as requirements for proper accounting and security), with provisions that permit the Commission to verify compliance.

However, we noted that the Commission was not adequately ensuring that the established requirements were being met. For instance:

- Registered large businesses, including most bingo operators, break-open ticket agents, and ticket manufacturers, are required under the terms and conditions of registration to provide annual financial statements reviewed by a licensed public accountant. However, we noted that gaming registration officers often accepted financial information that had not been reviewed.
- The Commission did not have a process in place for periodically verifying whether registrants adhered to the stated terms and conditions of registration. For instance, the terms and conditions of registration for bingo operators, break-open ticket agents, and ticket manufacturers indicate that adequate controls are to be put in place over accounting records and sales, and for preventing fraud and safeguarding assets. However, registrants are not requested to periodically submit—at the time of either initial registration or renewal—compliance reports reviewed by a licensed public accountant confirming that the

terms and conditions of registration were met; nor were there any inspections of ticket manufacturers and agents to ascertain whether these internal controls were in place.

- The registration process for gaming assistants did not include a check to verify the picture of the applicant, nor were references checked. As a result, a risk exists that photo IDs could be granted to gaming assistants who were not properly assessed for registration. We noted that a similar concern was reported by the Auditor General of Alberta in 2003/04, specifically with respect to the Alberta Gaming and Liquor Commission's gaming-worker-registration process.

In addition, the registration process did not consider two significant areas:

- There was no policy established to help identify which situations or relationships constitute a conflict of interest that would require resolution. For example, we noted an instance in which gaming registration officers knew about but did not question ownership relationships between a print manufacturer, a break-open ticket agent, and a bingo operator. Besides representing a potential conflict of interest, these relationships could make it easier for businesses to undertake illegal activities that are difficult to detect.
- The provincial tax status of business applicants is not verified as part of the registration process, although doing so would further assist the Commission in assessing an applicant's financial status and lawful behaviour. We noted four cases where companies were recently registered with the Commission even though their tax status was not in good standing and amounts as high as $15,000 were owed to the province.

We noted that these two areas are required to be considered in other programs. For example, before engaging most goods and services suppliers, provincial ministries are required to assess any potential conflict-of-interest situations and to verify that the supplier's tax status is in good standing. In addition, under the *Liquor Licence Act*, the Commission may refuse to grant a licence if a conflict-of-interest relationship exists between a liquor manufacturer and a person or business that promotes or serves alcoholic beverages. We were informed by the Commission that changes to the *Gaming Control Act, 1992* might be required before such controls could be implemented.

RECOMMENDATION

To help ensure that registrations of charitable gaming equipment and services suppliers and gaming assistants are granted only to those that meet high standards of honesty and integrity, the Commission should:

- **enforce the requirement that registrants submit annual financial statements reviewed by a licensed public accountant;**
- **implement procedures for periodically verifying that registrants have complied with the terms and conditions of registration; and**
- **verify that the information provided by prospective registrants is legitimate and accurate.**

In addition, the Commission should establish policies and procedures for ensuring that conflict-of-interest situations are appropriately dealt with. It should also consider the benefits of requiring verification that, where applicable, prospective registrants' provincial tax status is in good standing.

COMMISSION RESPONSE

The Commission believes it is essential to maintain high standards of honesty and integrity in the regulation of the charitable gaming industry. The Commission will continue to build on these standards, and the recommendations of the Auditor General will be considered in the context of the modernization of charitable gaming and the Commission's information technology plans. Additional policies will be developed and procedures implemented where appropriate with respect to the specific recommendations.

The Commission does review conflicts of interests between its registrants but will ensure that its policies in this regard are properly documented.

Verification of Registration

Charitable organizations applying for a licence must record on their applications the registration numbers of any gaming suppliers they plan on using for their lottery event. For licences issued by the Commission, gaming registration officers who issue licences can verify the registration status of these suppliers by accessing the Commission's registration database.

For municipally issued licences, the Commission had not made clear to municipalities the need to verify the registration of gaming suppliers used by charitable organizations. In our discussions with and survey of municipalities, over half of the municipalities indicated that it was not their responsibility to check whether a supplier's registration was valid or up to date, and almost 30% indicated that they did not verify the registration of suppliers used by organizations that applied for a licence.

The municipalities that did verify registration had asked organizations to submit copies of their suppliers' registration certificates along with their licence applications. The Commission's registration database, which would be more up to date and accurate, was not accessible by municipalities. To obtain more up-to-date registration information about a gaming supplier, municipalities would have to contact the Commission on a case-by-case basis.

RECOMMENDATION

The Commission should clearly communicate to municipalities the requirement to verify that charitable organizations seeking licences are using properly registered charitable gaming suppliers. It should also provide municipalities with up-to-date information—possibly through access to its registration database—for use in verifying the gaming suppliers' registration.

COMMISSION RESPONSE

The Lottery Licensing Policy Manual sets out the procedures to be used in making licensing decisions. The Commission agrees that municipalities should have access to relevant information on the registration database to verify gaming suppliers' registration. Such access to the database by municipalities would be dependent upon having the appropriate resources to develop an information technology system.

The Commission will consult with municipalities on the need to verify registration as part of the licensing process. This will include identifying best practices and any additional supports that can be provided by the Commission to municipalities to help accomplish the verification of registration in a cost-effective manner.

Licensing Activities

Licensing Practices

The Commission's gaming registration officers are required to review applications from charitable organizations to ensure that eligibility requirements are met before issuing a licence; they are also required to follow up after lottery events to ensure that the terms and conditions of the licence—including any reporting requirements—are met. We identified the following areas where improvements are required in the Commission's licensing practices:

- There was often no evidence that an organization's eligibility was assessed before awarding or renewing a licence. Our audit noted that in a number of cases there were no core files on the licensed organizations. A core file contains all the background information on the organization that would be used in determining its eligibility, including its incorporation papers, a description of its charitable programs and services, information on its financial status, the names of its board of directors, and financial reports filed. Where a core file was available, it was often outdated and did not reflect recent changes in the organizations' environment, such as the names of key contacts.
- There was inadequate effort to verify the organization's use of net proceeds from the lottery event to ensure that these funds were used for approved charitable purposes. Almost two-thirds of the organizations whose reports we examined did not provide information on how the proceeds were spent. When details on the use of proceeds were provided, in about one-third of the cases we examined the organization had not demonstrated it spent the proceeds as required by the organization's charitable mandate or within required expense limits.
- For about two-thirds of the files we examined, we noted that the Commission had not obtained financial statements and compliance reports from the charitable organizations as required under its policy. When financial statements for organizations receiving over $50,000 annually were received, the statements did not have the required review conducted by a licensed public accountant.

Even though the required financial information following lottery events was not provided to gaming registration officers, new licences were still issued to these organizations for subsequent lotteries without evidence of any follow-up on the missing documents.

RECOMMENDATION

To help ensure that licences are granted only to legitimate charities, the Commission should more critically evaluate the eligibility of charitable organizations. In addition, to ensure that proceeds from lottery events are used for approved charitable purposes, it should:

- obtain and properly assess the required reports on lottery events; and
- issue renewal licences only if an organization has met the reporting requirements for all previous lottery events.

COMMISSION RESPONSE

While the current process for reviewing licence applications from charities is quite thorough, the Commission recognizes improvements can be made in providing more training, revised policies, and improved documentation standards.

In addition, the Commission will consider the Auditor General's recommendations as part of the modernization of charitable gaming. In the long run, new technology is required to conduct reviews in an efficient manner. A new lottery licensing system is being developed in a phased approach.

Bingo Sponsor Associations

Charitable organizations with municipal licences for bingo events at large bingo halls often choose to form a bingo sponsor association to enable them to apply jointly for the provincial licences required to also hold bingo events with prizes totalling greater than $5,500. Representing as many as 50 charitable organizations, the bingo sponsor association distributes the proceeds from provincially licensed events to each charitable organization in the association. According to the Commission, proceeds from provincially licensed bingo events were estimated at $119 million for 2003.

The Commission had no oversight procedures in place to provide any assurance that the net proceeds raised by bingo sponsor associations were distributed to the individual charities and ultimately used for approved charitable purposes. Rather, the Commission informed us that it expected the municipalities that have the bingo halls in their jurisdiction to verify the use of proceeds that charitable organizations received from provincially licensed events in conjunction with their responsibility for verifying the organizations' use of proceeds from municipally licensed events.

However, we found that municipalities were not informed of the Commission's expectations. Our survey of municipalities revealed that over half the municipalities that had bingo hall(s) in their area indicated that they did not verify the charitable organizations' use of proceeds from provincially licensed events. Among the municipalities that did verify the use of such proceeds, we noted that several had actually revised the Commission-issued reporting forms to better ensure charitable organizations' complete reporting of the use of the proceeds.

RECOMMENDATION

To help ensure that proceeds from provincially licensed bingo events are used for approved charitable purposes, the Commission should work with municipalities to establish procedures for verifying the charitable organizations' use of proceeds distributed through bingo sponsor associations.

COMMISSION RESPONSE

The Lottery Licensing Policy Manual provided to municipalities covers the procedures to be used for ensuring that funds received from provincially licensed bingo events are used for charitable purposes. The Commission will take steps to remind municipalities, during training sessions starting in September 2005, of their responsibility to ensure that these funds are verified along with other net proceeds received relating to municipally issued licences.

Controls over Break-open Tickets

For 2003, the Commission estimates that the gross wager on break-open tickets in Ontario was $360 million. Net profits to charitable organizations were about $46 million after prize payouts, licensing fees paid to either the Commission or municipalities, and payments to break-open ticket manufacturers, agents, and sellers. There has been a substantial decline in sales of such tickets since 1997, when the gross wager was estimated at $1.2 billion and organizations retained net profits of about $120 million.

In 1997, Management Board of Cabinet approval was given to the then–Gaming Control Commission to implement new controls over the production of break-open tickets and their distribution to charitable organizations. At the time, there were concerns regarding fraudulent activities, including ticket tampering, unreported sales, and the potential for printing and selling more tickets than allowed for by a licence. Regulating break-open tickets sales in Ontario was problematic due to the numerous manufacturers and ticket agents in the marketplace, many of which were located outside the province, and the lack of controls over the production and distribution of these tickets.

New controls planned for in 1997 included having the Commission establish service management contracts with separate suppliers to deliver:

- a production system in which tickets would be bar-coded to facilitate tracking and auditing; and

- a central ordering system for all charitable organizations, and a secure warehousing and distribution system.

Approval was also received to establish a team of Commission staff to negotiate and manage contracts with, monitor the performance of, and audit the functions contracted to these suppliers.

The funding provided to the Commission by the Management Board of Cabinet to implement the new controls was $1.25 million in each of the first two years, $1.1 million in the third year, and $0.6 million annually thereafter for the ongoing cost of six permanent staff.

In November 1997, the then–Gaming Control Commission implemented the first of the new controls envisioned. Two manufacturers, both located in Ontario and competitively selected, commenced an exclusive arrangement to print break-open tickets for the Ontario market. Contracts and registration requirements for these manufacturers require that adequate controls be put in place, particularly for accounting records, sales, preventing fraud, and safeguarding assets.

However, we noted that the remaining key controls authorized and funded by the Management Board of Cabinet were not implemented:

- No central ordering, warehousing, and distribution system was established. Agents and some charitable organizations purchase tickets directly from manufacturers.
- No dedicated team of permanent staff was established to negotiate and manage contracts with the private suppliers, and to monitor the performance and audit the functions contracted to the private sector.
- The Commission had not established procedures for monitoring break-open ticket production and sales. Many of the weaknesses in these areas are covered in other sections of this report, including the failure to obtain compliance reports and to conduct regular inspections of internal control procedures in place at the two print manufacturers and at the approximately 50 ticket agents.

When tickets are sold directly to a charitable organization, the manufacturers imprint the charitable organization's name and licence number on each ticket. We noted that ticket agents, which supply almost 90% of all break-open tickets manufactured to break-open ticket sellers, are permitted to acquire tickets in bulk without providing manufacturers with the licence numbers of the charitable organizations on whose behalf the tickets are being supplied. This makes it possible for tickets to be sold illegally without a licence.

RECOMMENDATION

To ensure that adequate controls exist over the production, distribution, and sale of break-open tickets, the Commission should:

- identify and implement key controls authorized by Management Board of Cabinet over manufacturers and ticket agents that would provide adequate assurances that they are complying with legislative requirements and the Commission's terms and conditions of registration;
- reconsider the need for an independent central distribution and warehousing supplier for break-open tickets; and
- establish procedures for periodically verifying the accuracy of reported break-open ticket sales.

COMMISSION RESPONSE

The Commission supports the recommendation to improve controls over break-open tickets and has already initiated a review of options on how to do so. The options will be considered as part of an overall control strategy for break-open ticket sales.

Provincial Administration Fee

In 1997, the Management Board of Cabinet also approved the implementation of a provincial administration fee of 5% of break-open ticket sales. At the time, the new fee was projected to return about $40 million annually to the Consolidated Revenue Fund. Manufacturers are required to collect and remit this fee, and to report break-open ticket sales to the Commission.

Between the fee's December 1997 implementation and March 31, 2004, manufacturers submitted approximately $150 million in provincial administration fees, including about $15 million during the 2004/05 fiscal year.

In April 1998, internal auditors from the then–Ministry of Consumer and Commercial Relations reviewed the Commission's revenue controls. Their report noted that the Commission had not asked the manufacturers for audited financial statements and reports on their internal controls and had initiated no inspections aimed at obtaining assurances on the reliability of the manufacturers' accounting records with respect to collecting, reporting, and remitting the provincial administration fees. According to the report, Commission management had agreed to take corrective action, but no changes were ever implemented in this regard.

During our audit, we observed that the Commission continued to rely solely on information provided by the manufacturers and had no procedures in place (such as periodic audits by Commission staff, internal auditors, or an independent public accountant) to verify that the fees submitted actually represented 5% of total sales.

We noted several examples of discrepancies between the manufacturers' sales reports and the sales information we requested from agents and charitable organizations. For example, in one case we found $235,000 in apparently unreported sales, which would have resulted in a loss to the province of over $11,000 in the provincial administration fee. Further assessment of these discrepancies would be required to substantiate whether the differences in the information we received were the result of errors by the manufacturer, the agents, or the charitable organizations.

One cost-effective option would be for the Commission to ask that the two manufacturers provide a report from their auditors confirming the gross sales and related 5% provincial administration fee. A special report of this nature is sanctioned by the Canadian Institute of Chartered Accountants, and, assuming that the two manufacturers each engage external auditors to audit their financial statements, providing such a report should result in little or no additional cost to the manufacturers.

RECOMMENDATION

To ensure that the Commission has adequate assurance that the correct amounts of provincial administration fees are remitted by break-open ticket manufacturers, the Commission should request that the manufacturers provide independent audit assurance on their reported sales and fees payable. Alternatively, if this more cost-effective option is considered not feasible, independent audits by Commission staff should be conducted periodically.

COMMISSION RESPONSE

The Commission supports the recommendation and in fall 2004 announced changes to the supply of break-open tickets. Effective May 2005, the market was "opened" to additional manufacturers who had consented to new terms to registration that include certain requirements with respect to audits that apply to all manufacturers.

Charitable Gaming Inspections and Enforcement

Because inspections are an important means of assessing a registrant's compliance with legislative requirements and with the terms and conditions of registration, they play a key role in promoting voluntary compliance. The visible presence of inspectors also helps promote public confidence that gaming standards are being enforced. While other sources of information, such as public complaints, are important for helping to identify gaming violations, inspections can be proactive in preventing such occurrences.

Inspecting break-open ticket sellers is the responsibility of liquor licence inspectors, who are trained to do the work using a standardized checklist. For the 2004/05 fiscal year, there were approximately 600 inspections of break-open ticket sellers that resulted in over 1,000 warning/caution notices and four prosecutions. Inspections of bingo facilities are conducted by the Ontario Provincial Police (OPP) officers assigned to the Commission. There were 36 such inspections in the 2004/05 fiscal year. The OPP also conducted about 80 investigations—either of gaming equipment and services suppliers or of charitable organizations (or their employees or volunteers)—resulting in six charges laid under either the Criminal Code or the *Gaming Control Act, 1992*.

Items typically checked during an inspection include whether registration and licence certificates are posted for viewing by the public, whether adequate security is maintained for tickets or bingo paper, and whether gaming assistants are wearing Commission-issued photo IDs.

We found that the Commission did not have formal policies in place for managing its charitable gaming inspection activities. As a result, little direction was available to OPP officers and liquor licence inspectors on the various aspects of an inspection, such as objectives, priorities and coverage, frequency, actions to take when violations are identified, and follow-up of violations. We identified a number of areas in the Commission's inspection and enforcement activities where improvements could be made:

- Inspections were not based on formal risk assessments. For example, liquor licence inspectors generally conducted inspections of break-open ticket sellers on their own initiative and had to meet minimal quotas of only two inspections per month. A risk-based approach to prioritizing break-open ticket sellers for inspections should be considered, since it would take almost 10 years at the current rate to inspect the over 5,700 sellers.

  For bingo hall inspections, the Commission had not worked with the OPP to develop a consistent approach. For example, there were large variations in the frequency of inspections between the three regions we visited: the 16 bingo operators in one region were targeted for inspection once per year; the eight bingo operators in the second region were targeted for inspection once every two years; and the third region, having discontinued several years ago any regular inspections of the 37 bingo operators in its area, conducted an inspection only when a complaint was received.
- Our analysis of the results of inspections of break-open ticket sellers by liquor licence inspectors during the 2004/05 fiscal year identified a non-compliance rate of about 60% of the inspected sellers. Common violations identified by liquor licence inspectors included instances where financial records were not being kept, winning tickets were not defaced to prevent their reuse, and the tickets available for sale did not correspond to the licence issued. There were very few prosecutions of violations, probably because the infractions were too small to merit the cost of prosecution. Better education and additional enforcement measures—such as fines that can be imposed simply by issuing a ticket

during the inspection—may be necessary to promote voluntary compliance by sellers.

- Inspections of bingo operators and break-open ticket sellers are limited to physical observation of certain key requirements, such as whether a licence is posted. Inspections do not include reviewing accounting records to ensure that all sales and ticket inventories were accounted for and that sellers' commissions were within prescribed maximums.
- No inspection programs or audits are established for certain key gaming suppliers—namely, the two bingo paper and break-open ticket print manufacturers that serve all of Ontario; and the approximately 50 break-open ticket agents, which supply about 90% of all tickets from these manufacturers to sellers on behalf of charitable organizations.

In addition, municipalities play a key role in monitoring local charitable organizations through the licensing process and may either formally or informally monitor the local gaming equipment and services suppliers used by these organizations. For example, we noted that a number of municipalities independently initiated and conducted regular inspections of bingo operators and break-open ticket sellers. However, the Commission did not have a policy of providing municipalities with feedback on the results of inspections and investigations that it performed in their jurisdiction. Half of the municipalities we surveyed indicated that they were not informed of the results of the inspections and investigations conducted by the liquor licence inspectors or the OPP. Such information would help municipalities in making decisions regarding the issuing of a licence, including whether or not to impose additional terms and conditions they feel are necessary, and in monitoring local gaming equipment and services suppliers. The Commission also did not seek information on the results of the inspections carried out by municipalities, although these results could be useful in planning its own inspection efforts.

RECOMMENDATION

To be more effective in ensuring the integrity of charitable gaming, the Commission should develop and implement a formal strategy and policies for its inspection activities that include a risk-based approach to target high-risk gaming equipment and services suppliers.

The Commission should also investigate the extent to which better education and additional enforcement measures are needed to achieve a high level of voluntary compliance with legislative requirements and with the terms and conditions of registration.

In addition, to improve inspection and enforcement activities at both the provincial and municipal levels, the Commission should work with municipalities on sharing information about the results of inspections and investigations.

COMMISSION RESPONSE

The inspections and enforcement organizational structure was reviewed during the winter of 2004/05. A new organizational structure was put in place in June 2005 to address issues with respect to the Commission's entire mandate. As part of the implementation of the new organizational structure, changes will be made in enforcement and inspection strategy. The Commission will continue to build on its risk-based enforcement and inspection strategy, not only within charitable gaming but also within the context of its overall mandate, which includes liquor enforcement and commercial gaming. The Auditor General's recommendations will be considered as part of the implementation of the new organizational structure and development of enforcement and inspection strategy.

Information Technology Project

The Commission uses two separate computer systems for its licensing and registration systems. It has concluded that the systems are old and in need of replacement to ensure a stable, open, efficient, and integrated environment. Since 2003 the Commission has been performing the planning work for an integrated licensing and registration system.

In January 2005, the Commission initiated a project to replace the lottery licensing system, which was considered a higher-risk system due to its age and use of older technology. The Commission is required to adhere to the Management Board of Cabinet's Management of Information Technology Directive, which requires that formal project management processes be followed, including documented justification for the plan, detailed project plans, efficient organization of resources, project approvals, progress reporting, and post-project evaluation.

Project Planning

We found that there was no business case established for the project that would meet the requirements of the Directive. Specifically, the project documents we reviewed did not address:

- total one-time costs, including staff costs, associated with planning, designing, acquiring, and implementing the project;
- ongoing costs over a four-year period associated with maintenance of the new system;
- risk assessment, which would explain the project's degree of exposure to disruption or reduction in services to the public and to cost overruns; and
- project benefits quantified in monetary and non-monetary terms.

Following our fieldwork, the Commission indicated that it had prepared a business case that estimated the project's total costs to be about $610,000. The primary estimated costs were for Commission staff time totalling $313,000 and for consulting fees of $286,000, the latter of which had already been incurred. The system will be developed in-house using the Commission's staff and using existing hardware. However, the business case did not include the costs incurred in planning for an integrated licensing and registration system before January 2005 or any ongoing maintenance or other costs beyond the expected September 2006 implementation date of the licensing system.

Without an adequate business case that includes objectives, costs, time estimates, and an analysis of buy-versus-build alternatives, it is difficult for senior management to make informed decisions. This was emphasized by the recent Report of Ontario's Special Task Force on the Management of Large-Scale Information and Information Technology Projects. The report stated that "IT projects that have gone off-track often had ill-defined business plans."

Project Management

We identified several concerns regarding the ongoing management of the project:

- Project documentation was not up to date. The project charter, which authorizes the project scope, approach, deliverables, timelines, and individual team member responsibilities, estimated that the system would go live in December 2005. However, the project timetables have since changed this date to September 2006. Notwithstanding that and related changes, weekly progress reports made to senior Commission management indicated that project scope, costs, schedule, and changes were all on target. However, there were no indications in the weekly reports as to what the target completion dates or costs were for each phase of the implementation—information that would allow senior management to properly assess the project's progress.

- Contrary to the Directive's requirements, there was no internal auditor involved in the project. Internal audit's involvement during the various stages of the project would be useful for ensuring that key controls over project management and system design were established and adhered to.

In addition, the Commission's use of a consultant on this project did not conform to established government policies and practices and to the Management Board of Cabinet's Procurement Directive for Consulting Services. We noted the following:

- The costs of a consultant to complete this project were originally estimated at $135,000. The selection of the consultant was based on an internal vendor-of-record arrangement established by the Commission in October 2003. We noted that only one contract—for a fixed price of $60,000—had been established for this assignment; that contract was signed on March 18, 2005, between the Commission and the consultant. However, the consultant was paid a total of $286,000 from invoices dated February 16, 2005 to March 24, 2005. Thus, in addition to the consultant doing work before a contract was in place, the consultant was paid over four times the contracted amount.
- According to the Commission, the consultant still had unfinished work at the time of the last invoice: for example, two key reports on project design were not delivered until April 28 and May 18, 2005. However, senior Commission management informed us that no further payments to the consultant following its March 24, 2005 invoice would be necessary, which would indicate that the consultant was fully paid as of March 24, 2005 before key deliverables were received, contrary to payment practices required in the Directive. In addition, the consultant estimated the cost of its involvement in the design stage of the project, which hadn't been started, to be a further $150,000 to ensure that the proposed project timelines are met. We noted that the Commission's business case did not include these costs.
- According to the vendor-of-record agreement between the consultant and the Commission, all invoices from the consultant were required to provide a breakdown of names and hourly rates of the consultant's employees who performed the service and details of the work performed in relationship to the hours spent. We observed that invoices provided to the Commission did not provide this information, and further details were obtained only upon our request during the audit. Based on this additional information, we noted that the rates charged by the consultant were not in accordance with the rates authorized in the October 2003 agreement. For instance, an hourly rate of $440 was charged for one employee when the authorized rate was $375 per hour, resulting in an overpayment of $3,120. Other employees with hourly rates of $180, $210, and $270 could not be matched with the agreement. Also, no details of the work performed in relationship to the hours spent were made available.

RECOMMENDATION

To ensure value for money and comply with the Management Board of Cabinet's directives governing information technology projects and the use of consultants, the Commission should:

- provide decision-makers with a comprehensive business case before proceeding with the development of information technology projects;
- involve ministry internal auditors in the oversight of projects to verify that key controls over project management, system design, and the use of consultants are established and adhered to;

- require that project documentation be up to date and that reports to senior Commission management include relevant and accurate information on project status; and
- ensure that a valid written contract is in place with consultants before authorizing work, budgeted amounts are not exceeded without proper justification and approval, invoices are scrutinized, and payments are made only after services are rendered.

COMMISSION RESPONSE

The decision to replace the lottery licensing system was made by senior management after two years of study and review. The current lottery licensing system was no longer supportable, and there was a substantial risk that it could not be resuscitated if it crashed. Such a situation would be "mission critical," as lottery licensing would be severely affected. While senior management was satisfied that the various documents and analysis provided a comprehensive assessment for the decision on a replacement, it is acknowledged that the process did not conform to the requirements of Management Board of Cabinet's directives and that controls need to be strengthened for consulting engagements.

Audit-resource involvement in information technology projects is based on overall Ontario Public Service risk. At the time of this particular information technology project, the limited internal audit resources were focused on projects that were deemed to be of higher risk. Notwithstanding, senior management will invite internal audit at appropriate points in the overall project and will ensure that, in future, a process that follows directive requirements will be used for all information technology projects and use of consultants.

Measuring and Reporting on Program Effectiveness

The Commission is required to provide an annual results-based plan that reports on performance from the previous year and outlines plans for the coming years. An annual report is also to be provided to the Minister for tabling in the Legislative Assembly. The annual report should contain information on the achievement of performance targets and on action to be taken, along with an analysis of the agency's operational and financial performance. Such reports are intended to inform legislators and the public about the extent to which programs and services are meeting program objectives and providing value to the public. These annual plans and reports not only serve as a vehicle for focusing attention on results and for driving change but also foster openness and accountability.

The Commission's 2003/04 Annual Report contained two performance measures: one covering consumer protection and the other on customer satisfaction. Neither of these measures was specific to charitable gaming, nor were they presented in a manner that would allow for any meaningful assessment of the Commission's performance.

The Annual Report also reported on the number of registrations and licences issued. This information allows assessment of how the Commission's resources were applied but does not provide an indication of the outcomes of its registration and licensing activities, including the extent to which the Commission had obtained compliance by the industry to charitable gaming legislation and the Commission's regulatory policies.

More meaningful performance information on the Commission's activities could have included the following:

- results of the Commission's inspection and enforcement activities, including the number and results of inspections, investigations, complaints, licences and registrations suspended or revoked, and any disciplinary action taken;

- trend information and benchmarking to other jurisdictions—that is, a comparison of the current year's performance with prior years' and other jurisdictions' performance;
- information on the extent to which service levels—such as the number of licences and registrations processed within established time frames—met a standard (which the Commission would need to establish); and
- charitable gaming fees collected by the Commission in relationship to the costs of its enforcement activities, a measurement that would allow for assessing the Commission's capacity to fund its regulatory activities in relationship to the fees collected with respect to such activities.

We noted that several other jurisdictions have included information in their annual reports on the extent and results of their regulatory activities.

In addition, the Annual Report contained no information on the success of the municipalities' regulatory activities with respect to charitable gaming. Regular reporting by each municipality to the Commission was very limited and was used by the Commission only for estimating the total licences issued by municipalities.

RECOMMENDATION

To enable the Commission to report to legislators and the public on its effectiveness in regulating charitable gaming, the Commission should develop more comprehensive indicators for measuring and publicly reporting on its performance. The Commission should also consult with municipalities to regularly obtain meaningful information that would allow the Commission to also include municipalities' contribution to regulating charitable gaming activities in its results-based plans and annual reports.

COMMISSION RESPONSE

The Commission will consider new measures as part of its review of charitable gaming and the proposed modernization of the regulatory structure.

Chapter 3 Ministry of Children and Youth Services

Section 3.04 Child Care Activity

Background

The Ministry of Children and Youth Services administers the Child Care Activity (Activity) under the authority of the *Day Nurseries Act*. The Ministry develops policies and procedures for licensed child care and subsidizes the cost of a portion of that child care to enhance the availability of affordable, high-quality care for children up to the age of 12 years. This care is intended to allow parents to work or to undertake training or education leading to employment. Access to subsidized child-care spaces is not an entitlement and is therefore limited by the availability of subsidized child-care spaces, which is determined by available funding.

The following are some of the Activity's main responsibilities:

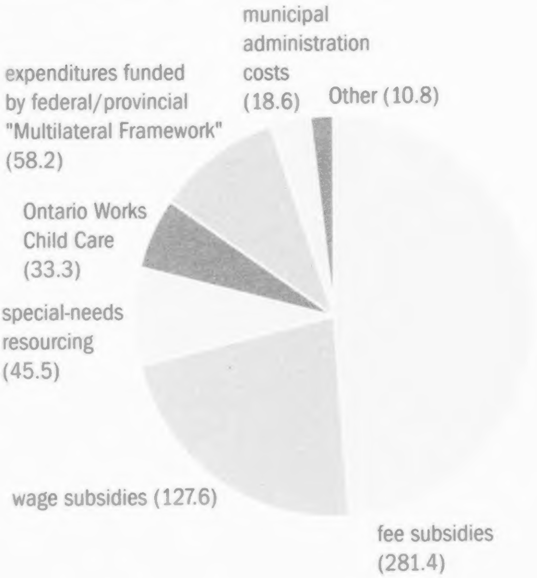
- inspecting, licensing, and monitoring child-care operators that care for more than five children to promote quality child-care services and ensure the health and safety of the children in care;
- subsidizing child-care costs for children of parents in need, either directly to parents through fee subsidies or indirectly through wage subsidies provided to child-care agencies that are intended to enhance caregiver wages and benefits;
- providing additional financial support to purchase the services of resource teachers for the care of children with special needs; and
- providing funding for community-based resource centres that provide such things as parent education, drop-in, and playground programs and toy and equipment lending libraries.

The most recent information available from the Ministry indicates Ontario has approximately 3,900 licensed child-care centres serving about 200,000 children.

For the 2004/05 fiscal year, ministry child-care expenditures totalled $575.4 million, which was allocated as shown in Figure 1.

Figure 1: Child-care Activity Expenditures, 2004/05 ($ million)

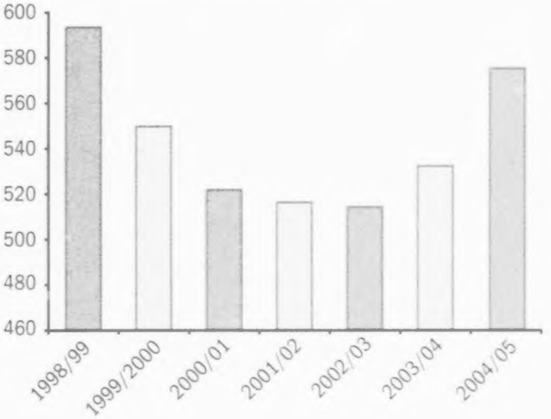
Source of data: Ministry of Children and Youth Services



Chapter 3 • VFM Section 3.04

Figure 2: Child-care Activity Expenditures, 1998/99–2004/05 ($ million)

Source of data: Ministry of Children and Youth Services



Since the time of our last audit, which was conducted in 1999, the Ministry's expenditures for the Activity have decreased (see Figure 2), but this decrease is mostly attributable to a change in funding made in 2000, wherein a greater share of the costs were assumed by municipalities. Prior to 2000, the Ministry's regional offices directly entered into annual service contracts and funding agreements with 186 fee-subsidy managers (primarily municipalities or designated non-profit corporations) to administer the delivery of child-care services. The Ministry funded 100% of all the child-care program costs, with the exception of the fee subsidy (discussed later), which was cost shared 80:20 between the Ministry and fee-subsidy managers, respectively.

In 2000, this funding process was changed and most of the Child Care Activity began to be administered by 47 consolidated municipal service managers (CMSMs). CMSMs were established to help deliver provincially funded social services—like child care—and consist of either a designated municipality (commonly in southern Ontario) or a district social services board (more commonly in parts of northern Ontario or rural areas with no municipal government). These CMSMs manage and co-ordinate funding and programs in their respective jurisdictions. The CMSMs are required to submit service plans for approval to one of the nine ministry regional offices and are accountable to the Ministry for the use of ministry funds. CMSMs are also expected to work with local service providers to establish local practices within the ministry policy framework.

The total Activity costs for child-care (rather than just the fee-subsidy portion) are now cost shared 80:20 between the Ministry and CMSMs. Administration costs continue to be shared 50:50 between the Ministry and CMSMs.

Other developments since our last audit of this Activity include the two new funding agreements entered into with the federal government to meet its commitment to a national child-care program. The first, signed in March 2003, is known as the "Multilateral Framework," and the second, a bilateral agreement in principle signed in May 2005, is referred to as an agreement for "Moving Forward on Early Learning and Child Care." The total funding commitments made under these agreements, to be paid by the federal government for child-care expenditures in Ontario over the next five years, are outlined in Figure 3.

These new funding initiatives are geared to children under the age of six and are to be guided by the federal government's "QUAD" principles for child care (QUAD stands for quality, universal inclusiveness, accessibility, and development).

Audit Objective and Scope

Our audit objective was to assess whether the Ministry's policies and procedures were adequate to ensure that:

- quality child-care services are provided in compliance with legislative requirements and with the Ministry's goal of fostering early learning and childhood development; and

Figure 3: Projected Federal Funding for Child Care in Ontario, 2005/06–2009/10

Source of data: Federal-provincial agreements "Multilateral Framework" and "Moving Forward on Early Learning and Child Care"

	2005/06	2006/07	2007/08	2008/09	2009/10
			($ million)		
new funding commitment under 2003 Multilateral Framework	87.4	116.8	136.6	136.9	137.2
new funding commitment under 2005 bilateral agreement	271.9	253.2	448.9	449.8	450.8
Total	**359.3**	**370.0**	**585.5**	**586.7**	**588.0**

- transfer payments to CMSMs are reasonable and adequately controlled.

With respect to the second part of our objective, the focus of our audit was on fee- and wage-subsidy expenditures, as they represented almost 80% of total activity costs.

The scope of our audit included a review of a sample of relevant ministry files and of the administrative policies and procedures in place. We conducted work at the Ministry's corporate office and in three of its nine regional offices. The three regional offices we visited represent almost 60% of total activity expenditures. As the Activity is now almost entirely administered by CMSMs, we visited a number of CMSMs and child-care centres to gain a better understanding of their operations. We also obtained information from the CMSMs we did not visit through a questionnaire we sent them.

We also engaged two child-care academic experts to assist us in our assessment of the operations of the Activity.

Prior to the commencement of our audit, we identified the audit criteria that would be used to address our audit objective. These were reviewed and agreed to by senior ministry management.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

We did not rely on the Ministry's Comprehensive Audit and Investigation Branch to reduce the extent of our work because they had not conducted any recent work in the areas our audit focused on.

Summary

If the Ministry is to ensure that licensed child-care centres are providing children with adequate early opportunities for learning and for physical and social development, it needs to better define and communicate program expectations to the centres and systematically monitor and assess their implementation. This will be all the more essential if the Ministry is to reap the benefits of the substantial new funding commitments recently announced by the federal government. Some of our observations included:

- A 2004 report by the Organisation for Economic Co-operation and Development (OECD) concluded that most Canadian provinces lacked the child-care curriculum frameworks needed to support quality programs and the kinds of experiences that enhance children's social, language, and cognitive development. In this regard, Ontario has not yet developed adequate guidance to help child-care centres deliver consistent and comprehensive developmental programs.
- The *Day Nurseries Act* and ministry-developed information materials, such as the *Day Nurseries*

Manual that is distributed to all child-care operators, provide little specific direction to those individuals providing child care. What direction is provided is generally vague, subject to broad interpretation, and sometimes missing critical updates on important matters.

- Our review of the tools used by ministry staff to assess program delivery identified a number of areas where these staff are required to exercise a significant degree of discretion and interpretation. If all ministry staff responsible for licensing and monitoring program delivery had an early childhood education background or equivalent experience, this approach might be suitable. However, many licensing staff do not have this background and would benefit from additional guidance.
- The Ministry uses a detailed licensing checklist during its annual inspections of child-care facilities to help assess a facility's compliance with program requirements as well as the quality of care provided to the children. While we found that the licensing checklists we reviewed did address health and safety issues, they did not adequately assess the quality of care or developmental opportunities provided. Finally, very little documentation exists from these inspections to indicate what work was performed and the basis on which conclusions were reached for the various areas covered in the licensing checklist. Notwithstanding, we noted an improvement in the timeliness of licensing inspections since our 1999 audit.

Other issues noted with respect to services included funding inequities that contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover. Since the quality of child-care programs is largely determined by the interaction between individual children and their caregivers, this further raises the risk that child-care services provided are not of a consistently high quality across the province.

We also concluded with respect to funding that the Ministry's policies and procedures did not ensure that transfer payments to CMSMs were reasonable and adequately controlled. Many of our audit observations and recommendations on funding issues in this report are similar to those reported in 1999 and 1995. Although the Ministry agreed to take action in previous years to implement our recommendations to correct observed deficiencies, sufficient action has not been taken. As a result we again found that:

- Fee-subsidy funding provided to CMSMs was not based on an appropriate assessment of sufficiently detailed financial and operational information to support the significant variations in the cost of care for similar services, reflected in fee-subsidy purchase-of-service agreements between programs and CMSMs. For example, the cost of caring for a preschool child (30 months to 5 years) ranged from a low of $17.50 to a high of $75 per day.
- Applications for child-care fee subsidies were not appropriately and consistently reviewed to ensure that only eligible families receive subsidized child care and that the subsidy is in the correct amount. Furthermore, the Ministry had no information on waiting lists for subsidized child-care spaces, so it was not aware of the number of children waiting for a space. Information provided by CMSMs suggests that many children are waiting, and we were told the wait times can range from six months to two years.
- Wage subsidies were not equitably distributed to all child-care centres, and the wage subsidies provided to staff did not meet all of the Ministry's funding requirements. For instance, in one case, a child-care employee received $18,000 in wage subsidies during 2003, almost double the allowable maximum of $9,533.

- Significant variances between expected and actual services provided and costs incurred were often not assessed, and, where necessary, followed up on a timely basis to determine their possible impact on future funding requirements.
- The Ministry did not require sufficiently detailed audited statements to allow for the identification of child-care-related expenditures and for the identification and recovery of all ministry-funded surpluses.

Detailed Audit Observations

PROGRAM QUALITY

Extensive research since the 1960s has demonstrated the importance of young children having access to systematic programs that foster their development in all areas—physical, social-emotional, and cognitive—so that they make steady progress and achieve appropriate developmental outcomes in preparation for the school system and formal learning, which begins in Grade 1. Consistent with this research, in 2004, the Ministry recognized the need to move beyond the foundation established in the *Day Nurseries Act* and initiated Best Start to strengthen early development, learning, and care services to help Ontario's children arrive in Grade 1 ready to learn and excel. Best Start is a long-term strategy that the Ministry expects will take at least 10 years to fully implement. The Ministry's new funding framework with the federal government also commits it to work towards a high-quality, universally inclusive, accessible child-care system that supports healthy development and early learning for young children.

Curriculum Development

We noted that there was very little direction on programming and no specific requirements for a curriculum framework to ensure that children's development is consistently and comprehensively promoted among child-care centres.

In this regard, a 2004 report by the Organisation for Economic Co-operation and Development (OECD) concluded that most Canadian provinces lacked the child-care curriculum frameworks necessary to support quality programs and the kinds of experiences that enhance children's social, language, and cognitive development. We noted that other jurisdictions have developed curriculum direction or a framework for their child-care programs. For example, Quebec's child-care standards include requirements for an educational program that is considered a key element in quality child care. This framework includes goals for children's development and principles to guide implementation. As well, in Finland, child-care centres use a national curriculum framework developed by its research agency. The curriculum guides the organization and content of that country's child-care programs.

In the absence of a more detailed curriculum component, the risk is that child-care centres may not have the skills, time, or resources to individually develop and deliver quality programs specifically designed to equip young children with the skills needed for formal schooling.

Direction to Caregivers

The Ministry communicates its goals for child care by providing direction to CMSMs and child-care centres through the *Day Nurseries Act* and related regulations, as well as through a ministry-developed *Day Nurseries Manual*, which is distributed to all child-care operators. The Ministry also has Internal Directives and Guidelines to help its licensing staff assess child-care centres' compliance with the Act and regulations.

Our review of these items indicated that they provide guidance on many structural and operational aspects, such as the indoor and outdoor physical environment, safety requirements, health and nutrition standards, group size, child-to-staff ratios, and staff qualifications. However, we found that in many areas, the information contained in the regulations, the manual, and the internal guidelines required that individuals exercise a relatively high degree of discretion with little or no guidance on how to exercise that discretion. Following are some examples of the direction contained in these documents:

- Every operator of a child-care centre shall ensure that there are written policies and procedures with respect to staff training and development for employees.
- Play equipment and furnishings, in the opinion of the ministry program advisor, are to be of a type suitable for the program and the ages and developmental levels of the children enrolled.
- Play equipment should be, in the opinion of the ministry program advisor, sufficient in numbers to allow for rotation.
- There should be a program of activities that is varied and flexible and that includes activities appropriate for the developmental levels of the children enrolled, including group and individual activities, activities for gross and fine motor skills, language and cognitive activities, social and emotional development, and active and quiet play.

All of the above descriptors are open to a broad range of interpretations. Therefore they do not facilitate the implementation of a program that is consistent with the Ministry's stated philosophy and goals for child care. In this regard, we noted that one of the three regional offices we visited provided more specific guidance on how to meet ministry requirements.

We believe that child-care centres would benefit from more detailed guidance, particularly in the area of learning programs. If the Ministry were to develop easy-to-use and pedagogically sound programs, staff at the centres would be more likely to ensure a consistently high level of service for the children in their care.

We also noted that both the *Day Nurseries Manual* distributed to child-care operators and the Ministry's Internal Directives and Guidelines have not been updated since 2000. As a result, neither new program requirements nor information requirements arising from the federal government's Health Alerts issued since 2000 have been incorporated into either document. Examples of critical information that is missing include:

- a regulation under the Ministry of the Environment's *Safe Drinking Water Act, 2002* requiring that child-care centres flush their plumbing systems weekly (this is intended to rid water and supply pipes of possible harmful lead deposits); and
- a Canada Health Alert issued in August 2003 warning that infants and young children should never sleep on mattresses not specifically designed for them.

RECOMMENDATION

To encourage consistent quality in the delivery of child care in Ontario and to meet the Ministry's objectives of providing children with the best possible start in life, the Ministry should develop a child-care curriculum framework and implement more detailed and helpful guidance to assist child-care staff in providing consistently high quality developmental learning opportunities.

MINISTRY RESPONSE

Child-care licensing requirements under the *Day Nurseries Act*, including program and staffing requirements, provide a basic foundation that supports healthy child development. The Best Start initiative begun in 2004 will build on this foundation to establish a high-quality, accessible child-care system that will enhance the likelihood of success for children once they reach school.

An Expert Panel on Early Learning established in May 2005 will develop an integrated early learning framework and recommend an early learning program for all preschoolers by March 2006. It will also recommend a single integrated learning program for children between two and a half and five years old by December 2006. These recommendations will form the basis of guidance to operators and will help facilitate the provision of high-quality developmental opportunities for children.

Child-care Staff Qualifications and Training

The quality of child-care services delivered is largely determined by the qualifications and experience of child-care staff. In that regard, research studies have consistently reported a significant correlation between caregiver staff with higher education levels and the delivery of higher-quality programs and better outcomes for children.

In Ontario, each child-care centre's supervisor and at least one caregiver per age group of children in care must have a recognized early childhood education (ECE) qualification—normally a two-year community-college-level diploma—or equivalent academic qualifications and, in the case of supervisors, two years' experience working in a child-care centre. Other Canadian jurisdictions, such as Quebec, require two-thirds of all staff in licensed centres to have an ECE college diploma or ECE university degree.

The Director at each ministry regional office is required to assess and approve the qualifications of each centre's supervisor in writing, and a copy of that letter is to be placed in the licensing file for that centre. In our review of a sample of licensing files, we found that about 10% did not contain the required letter.

Furthermore, although the Ministry requires that each centre have written policies and procedures for staff training and development, it has not established any minimum requirements for the training and development that is to be provided. We noted that British Columbia, Prince Edward Island, and Newfoundland have professional development requirements for ECE staff working in licensed child-care centres.

We also noted other factors affecting the quality of caregiver staff, namely funding inequities (discussed in more detail under Fee Subsidy and Wage Subsidy) that contributed to comparatively low salaries in some centres, difficulties in staff recruitment and retention, and high caregiver turnover. In this regard, it was noted by one CMSM that the replacement of trained early childhood educators by untrained staff was on the increase.

RECOMMENDATION

To help ensure that child-care services provided in Ontario are of high quality, the Ministry should:

- assess, approve, and appropriately document that all child-care centre supervisors have the prerequisite early childhood education qualifications and work experience;
- consider the advisability of establishing minimum educational requirements and/or work experience for any other caregiver staff without early childhood education or equivalent qualifications; and
- develop guidance for the ongoing professional development of child-care centre staff.

MINISTRY RESPONSE

We agree that the quality of child care is key if we are to achieve a system of early learning and child care that gives children the best chance at future success. The existing *Day Nurseries Act* requires that each group of children have one staff member with a recognized early childhood education qualification or equivalent. This means a minimum of almost half of the staff in a centre would be qualified.

The Ministry's regional offices have been directed to review their procedures for the Director's approval of centre supervisors and to address those situations where appropriate documentation has not been placed on file. As well, this requirement will be added to the licensing checklist.

The Best Start initiative is addressing issues surrounding staff qualifications and professional development for child-care staff through the Expert Panel on Quality and Human Resources established in May 2005.

In addition, the Ministry is moving forward on establishing a College of Early Childhood Educators to set high professional standards and support quality care.

Licensing and Inspections

The *Day Nurseries Act* requires that the Ministry license all child-care centres and private-home child-care agencies caring for more than five children under the age of 10 years. The licence must be issued before operations begin and annually thereafter. Prior to issuing or renewing a licence, the Ministry conducts a formal licensing inspection. The inspection essentially consists of a site visit and the completion of a ministry-developed checklist that requires a review of, for example, the physical premises, staff-to-child ratios, nutrition practices, and centre policies and procedures. We were advised that the Ministry also uses this checklist to assess the quality of services provided.

Our review of the annual licensing process and of completed licensing checklists indicated that the process did not effectively assess the quality of the services provided. Specifically:

- Although the 39-page checklist included 116 items to be verified for compliance, we noted that it took, on average, only 4.5 hours to complete the entire licensing inspection, which includes filling out the checklist.
- In many cases the only information noted on the checklist consisted of a checkmark in one of three columns: yes, no, or n/a. No criteria or guidance was provided for assessing each item on the checklist. In most cases, we were unable to determine what, if any, work was performed in arriving at that decision. We also noted that in some cases, items in the checklist were either not completed or the documentation was contradictory, with more than one column being checked with no explanation. At one regional office, we found no documented evidence of supervisory staff having reviewed and approved the completed checklists.
- While we noted an improvement in the timeliness of licensing inspections, we also noted that most inspections were conducted within a few weeks of, either before or after, the expiry date of the previous year's licence. As a result, the timing of the inspections was predictable and therefore the conditions at the time of the inspection may not have been indicative of program delivery throughout the year.
- Ministry staff responsible for the licensing function are not required to have, and in many cases do not have, formal early childhood education (ECE) qualifications. As a result, we question whether they have the technical knowledge to conduct licensing inspections, especially given the lack of ministry criteria or guidance, as noted earlier. We noted that some other Canadian provinces/territories, such as New Brunswick, the Northwest Territories, and the Yukon, require licensing staff to have an ECE degree or diploma. In addition, all of the licensing staff we

talked to expressed the need for corporate training on current issues and best practices in child care.

- The current licensing checklist had not been updated since April 2000, so new requirements had not been incorporated, as mentioned earlier.

RECOMMENDATION

To improve the effectiveness of the annual licensing inspection and help assess the quality of the services provided by licensed child-care centres, the Ministry should ensure that:

- the timing of annual licensing inspections is less predictable;
- the nature and extent of the work conducted during the annual licensing inspections is sufficient to assess the quality of services, and this work is adequately documented; and
- the annual licensing inspections are conducted by qualified staff possessing either a formal early childhood education degree or diploma or equivalent qualifications and experience.

MINISTRY RESPONSE

Action to be taken to support licensing includes:

- updating the licensing checklist to include further assessment details; and
- updating the licensing manuals to support the checklist and provide additional direction on compliance assessment and documentation requirements.

Assessment of quality in child-care programs, beyond the basic elements already included in licensing, will be addressed through the Best Start initiative. Recommendations from the Best Start panels are expected by December 2006.

Training on best practices for licensing staff was provided in January 2004. Further training related to the implementation of the Best Start initiative will be conducted shortly. The Ministry supports a generic approach to licensing-staff qualifications that identifies core skill requirements for the position. Regions provide opportunities for mentoring and ongoing support. Informal mechanisms are also in place across the province to share best practices for site inspections and documentation of results.

Serious Occurrences

The *Day Nurseries Act* requires that all licensed child-care providers report to the Ministry, within 24 hours, any serious occurrences. Serious occurrences include the injury or abuse of children in care, such as cuts and bruising, the restraining of a child, and emotional and verbal abuse. A written follow-up report detailing the corrective action to be taken must also be sent to and reviewed by the Ministry within seven working days.

Our review of serious-occurrence files at the regional offices we visited found the following:

- One-third of the serious-occurrence incidents were reported after the 24-hour reporting deadline following an incident. On average, incidents were reported about seven days after the reporting deadline.
- For almost half of the files reviewed, the serious-occurrence follow-up reports were submitted after the required seven-working-days deadline. On average, the reports were submitted 88 days after the incident occurred. In the case of one regional office, about 30% of the reports were submitted 200 or more days after the incident. As a result, there is no assurance that the necessary corrective action is taken on a timely basis.

RECOMMENDATION

In accordance with its own policy, the Ministry should ensure that:

- all serious occurrences at child-care centres are reported within the required 24-hour deadline; and
- serious-occurrence follow-up reports are received and reviewed and, where applicable, the corrective action to be taken is approved on a timely basis.

MINISTRY RESPONSE

Operators have the primary responsibility for initially reporting serious occurrences to the Ministry and for providing follow-up reports. The Ministry will continue to work closely with operators to meet the requirements of its serious-occurrence policy.

Regional offices have been directed to review their present practices to improve their ability to identify and track serious-occurrence files not meeting ministry-established timelines and to monitor follow-up activity. They are to report back in fall 2005 on the areas they are addressing and steps being taken for improvement. Regional offices have also been directed to initiate spot checks with operators to monitor operator consistency in reporting serious occurrences to the Ministry.

The Ministry, in partnership with operators, is also piloting an automated approach to serious-occurrence reporting that would provide accurate and timely data on the status of all serious occurrences.

FUNDING

Fee Subsidy

Fee subsidies are provided primarily for the care of children whose parents are in need. A parent in need is defined as:

- a person eligible for income support under the Ontario Disability Support Program, the *Family Benefits Act*, or the *Ontario Works Act*; or
- a person who, for reasons of financial hardship, inability to obtain regular employment, or lack of a principal family provider, illness, disability or old age, does not have the financial resources to provide child-care services or private-home child care to their child or children, as determined in accordance with ministry guidelines.

Once a parent is deemed to be eligible for the fee subsidy, the parent may choose to place their children) in any centre in their area that has an available subsidized space (the availability of spaces is discussed in more detail later under Waiting Lists).

Eligibility for subsidized child care is based on an applicant's family composition, monthly income, budgetary needs, and liquid assets, as described in the Ministry's Guideline for the Determination of Available Income. When applying this guideline, CMSMs are allowed to exercise discretion in establishing maximum allowable limits for deductible expenditures that are affected by local conditions. For example, a CMSM may set a higher deductible for rental costs because rental costs in its region may be higher than elsewhere.

In our three previous audits of the Child Care Activity (see Annual Reports from 1989, 1995, and 1999), we noted a number of concerns with the exercise of discretion in determining allowable expenditure limits when assessing fee-subsidy eligibility. Although the Ministry generally agreed with our previous findings and recommendations and stated that it would take the necessary corrective action to ensure greater consistency across the province, we still found significant differences in discretionary expenditure limits that we do not believe are justified by local conditions. Examples from our current review of eligibility files and our survey results included the following:

- Maximum allowable monthly deductions for debt repayment ranged from $100 to $750.
- Maximum allowable monthly deductions for diapers ranged from a low of $40 to a high of $150.
- Maximum allowable deductions for actual drug costs incurred if no drug plan was available ranged from a low of $125 to a high of $250.
- Additional miscellaneous deductions, which are applied in the majority of cases, ranged from 10% to 25% of net income, with maximum limits ranging from $300 to $800, and, in a few cases, 25% of net income with no maximum dollar limit.

Allowing significant differences in deductible expenses means that parents in similar circumstances will be treated differently depending on where in Ontario they live.

We also found that information with respect to income and liquid assets was in some cases not correctly assessed, with the result that the fee subsidy provided was higher than it should have been. Although the amounts were small individually, collectively they could add up to a significant amount.

Subsequent to our 1999 audit of the Child Care Activity, the Ministry adopted a policy in 2000 that required ministry regional offices to annually review 5% of the eligibility files at their CMSMs. The reviews are intended to ensure that only eligible applicants receive the fee subsidy and that the fee subsidy has been correctly calculated. Despite this policy, we found that the regional offices we visited had not conducted the required file reviews for the majority of their CMSMs in the most recent two years. One regional office had not conducted any file reviews since the inception of the policy in 2000.

RECOMMENDATION

To promote greater consistency and fairness in the determination of eligibility for the province's child-care fee subsidy, the Ministry should:

- ensure that any variances in allowable expenditure limits for applicants being assessed are reasonable and clearly attributable to local conditions; and
- conduct the required annual fee-subsidy-file reviews in accordance with the Ministry's policy to ensure that only eligible applicants are being subsidized and that the subsidy has been correctly calculated.

MINISTRY RESPONSE

The Ministry is developing a new model for determining eligibility for fee subsidies that is based on income rather than a needs test. Assessment of eligibility for the fee subsidy under the income test will be fair, transparent, equitable, and consistent across the province, and it should significantly reduce disparities.

In the interim, regional offices have been directed to review the policies of consolidated municipal service managers by early fall to confirm that variances in expenditure limits are within established ministry guidelines.

Regional offices have also been directed to include a minimum of 5% of the fee-subsidy files in their program review for 2006.

Waiting Lists

Children whose parents are assessed as eligible for a fee-subsidized child-care space, but for whom a subsidized space is not available at the time of assessment, may be placed on a waiting list. Some waiting lists are maintained by and for individual child-care centres, and others are maintained collectively by the CMSM for all the centres in its jurisdiction.

There is no standard approach to maintaining waiting lists, and no waiting-list information is provided to the Ministry's regional offices. Therefore, the Ministry is not aware of the number of children waiting for a subsidized child-care space, or how many are waiting in each area.

Our review of waiting-list information at the CMSMs indicated that a large number of children were waiting for a subsidized child-care space. For example, in two of the largest CMSMs that we visited, 4,400 and 4,000 children were waiting for a subsidized child-care space, which represented 43% and 12% of all children who were in licensed child care in those areas at that time. CMSM staff indicated to us that it was not uncommon to experience wait times of between six months and two years before getting a subsidized space.

In our review of one regional office's files, we also noted that one CMSM received $2.24 million in new funding in 2004/05, $541,000 of which was designated to create 230 new subsidized spaces even though that jurisdiction had no waiting list for spaces. The funding allocation was reviewed and approved by the regional office.

We believe waiting-list information, once collected and analyzed, would be useful additional information to help the Ministry identify where the need is greatest and assist it in more effectively distributing not only existing ministry funding but also the substantial new funding to be received from the federal government.

RECOMMENDATION

The Ministry should collect information on the number of children waiting for subsidized child-care spaces in each jurisdiction in order to more effectively assess service pressures and to help it more fairly distribute both ministry funding and the significant additional funding expected from the federal government.

MINISTRY RESPONSE

Under the *Day Nurseries Act*, consolidated municipal service managers (CMSMs) are designated as child-care delivery agents responsible for local planning and managing within allocated resources, which includes developing strategies to meet the local need for child care. Local need is determined through a variety of approaches, including waiting lists and demographics. As CMSMs increase their expertise, the local planning process is becoming more and more sophisticated.

Prior to 2004, the ministry allocation process was largely historically based, with initial allocations determined by a variety of factors, including municipal willingness to cost share, local capacity to support service expansion, and local waiting lists.

Factors such as the number of low-income families, the child population, a low level of parental education, the number of families for whom English is a second language, the population density, and the rate of population growth are more effective indicators than waiting lists, and the Ministry has allocated all new child-care funds on this basis since 2003/04.

Wage Subsidy

The wage-subsidy program was introduced in 1987 to improve the salaries and benefits of child-care workers and to make licensed care more affordable for all parents. The program provides funding to service providers to enhance caregiver wages and benefits, which in turn enhances staff stability.

Allocation of Funding

Funding for wage-subsidy grants consists of three distinct components introduced between 1987 and 1992, as follows:

- *Direct Operating Grants (since 1987):* When introduced, these grants were based on an agency's licensed capacity and the age of the children it served. Non-profit agencies were eligible to receive 100% of the calculated grant, while for-profit agencies were eligible to receive 50% of the amount calculated.
- *Wage Enhancement Grants (since 1991):* When introduced, these grants were determined based on the number of permanent full- and part-time agency employees and were available only to non-profit agencies.
- *Home Provider Enhancement Grants (since 1992):* These grants were introduced to provide additional compensation to home-based child-care providers working through non-profit agencies.

During the 1993/94 fiscal year, the government capped its funding for wage-subsidy grants, and since that time it has based its distribution of these grants on the funding allocated at that time. So, for the most part, agencies that were receiving grants at that time continue to receive them now, and agencies that were not receiving them at that time do not receive them now.

Agencies that do receive a wage-subsidy grant must ensure that each employee receives a reasonable portion of the total grant. Since February 2000, distributions must not exceed $9,533 for each full-time-equivalent position. Agencies are required to annually submit to their CMSM a Wage Subsidy Utilization Statement that compares total wage-subsidy allocations against actual expenditures. Where grants provided are greater than $20,000, the agency must also provide a Special Purpose Report and audited financial statement to the CMSM to verify that the grant was used for the purposes intended. Failure to comply with any of the funding conditions may result in a claim for recovery of the grant and ineligibility to receive future wage-subsidy grants.

In our *1999 Annual Report*, we identified a number of concerns with respect to wage-subsidy grants, and despite the Ministry's commitments to act on our recommendations at that time, during this audit we found similar issues to those noted in 1999. Specifically, we noted that the wage-subsidy program continued to be highly inequitable because agencies that received wage-subsidy funding in 1993/94, when the subsidy was capped, continued to receive the same amount of funding without any assessment of their need for it. At the same time, agencies that either did not exist or did not receive wage-subsidy funding in 1993/94 were denied any funding to subsidize the wages of their child-care workers. As a result, older centres that do receive wage-subsidy grants are able to offer higher wages and therefore attract more qualified staff.

We also found that two of the three large CMSMs we visited did not annually receive and review the wage-subsidy-grant calculations that agencies are required to submit. Instead, these CMSMs continued to pay each agency the same grant amount every year. This can result in funding that is further unrelated to need. For instance, some agencies are likely to be caring for children in age groups that are different from the groups they cared for in 1993/94. Others may have downsized their programs in terms of licensed capacity or full-time-equivalent positions. In such cases, agencies should have their grants recalculated and, where warranted, have their grants reduced, while others that have expanded their programs may be deserving of an increase in their grant.

RECOMMENDATION

To help ensure the equitable distribution of wage-subsidy funding among child-care providers in Ontario, the Ministry should review the objectives and design of the wage-subsidy program so that funding allocations are based on assessed needs rather than on historical allocations.

MINISTRY RESPONSE

The following steps have been taken to address the Auditor General's findings:

- communication to consolidated municipal service managers (CMSMs) outlining the Ministry's monitoring expectations, including yearly calculations of wage-subsidy amounts by centre and reallocation as appropriate and the maintenance of a list of wage-subsidy pressures; and
- revision of the child-care service program requirements to highlight these expectations for CMSMs.

The Ministry recognizes that improving wages in the child-care sector is a critical factor in maintaining a quality system. The Best Start initiative will continue to address this issue by providing additional funding for wage subsidies that can result in increased wages for child-care workers in the system.

Monitoring of Subsidy Funding

In our *1999 Annual Report*, we had concerns with respect to the monitoring of wage-subsidy funding. At that time, the Ministry indicated that CMSMs would be required to have child-care service providers reconcile wage-subsidy allocations against actual expenditures and obtain independent confirmation of the information provided. They also indicated that CMSMs would be required to conduct random-sample reviews at least annually of the use of funds. During the current audit, we found that this control process was not operating satisfactorily. Specifically:

- Although grant recipients must submit an annual Wage Subsidy Utilization Statement to their CMSM, the statements we reviewed lacked sufficient detail to assess whether the grants were spent in accordance with the Ministry's conditions for funding.
- Although agencies that receive more than $20,000 are required to submit an audited Special Purpose Report indicating how the wage-subsidy grants were spent, in practice, in most cases these reports either were not received by the CMSM or were not audited.
- Although CMSMs are required to submit a report to the ministry regional office certifying that all required agency Special Purpose Reports were received, in practice, this was not being done.

Our own review of wage-subsidy files found a number of instances of non-compliance with the funding requirements. Specifically:

- In one case, a child-care centre employee received $18,000 in wage subsidy during 2003—almost double the allowed maximum of $9,533.
- In another case, an employee making a base salary of $49,678 received a wage subsidy of $4,278, while another employee in the same centre who worked the same number of hours and had a base salary of $18,818 did not receive any wage subsidy.

In the absence of more detailed information, reviews of wage-subsidy allocations, and audited Special Purpose Reports, there is no assurance that funding conditions for wage subsidies are being complied with, including the requirements that each employee receive a reasonable portion of the wage-subsidy grant and that no employee receive more than the maximum allowable grant of $9,533 per year.

RECOMMENDATION

To assess that wage-subsidy funds for child-care workers are spent in accordance with program requirements, the Ministry should implement adequate oversight procedures.

MINISTRY RESPONSE

The following steps have been taken to address the Auditor General's findings:

- communication to consolidated municipal service managers (CMSMs) regarding the Ministry's accountability expectations, including Special Purpose Reports from agencies, a list of the number of full-day-equivalent children by age group as part of the annual wage-subsidy recalculation, and systematic file reviews by the CMSM;
- revisions to the child-care service program requirements to highlight these expectations for CMSMs; and
- direction to ministry regional offices to include a minimum of 5% of the wage-subsidy files in their program review for 2006.

Submission and Approval of Budgets

The Ministry's corporate office provides an annual funding allocation for child-care program expenditures to each of the nine regional offices. We were advised that the allocations were generally determined based on prior years' expenditures in each region.

Regional offices in turn enter into annual service contracts with their respective CMSMs based on a budget submission package that each CMSM must submit to its regional office by March 31. This submission package pertains to the January-to-December period of the same year and should be reviewed and approved by June 30 of that year.

The CMSMs, in turn, negotiate and enter into purchase-of-service agreements with the child-care centres that provide services or directly provide some of the child-care services themselves.

Our review of these processes indicated that the Ministry did not have the information it needed to assess whether the amounts ultimately approved and paid to each CMSM and then to individual agencies providing child-care services were based on need. Our concerns included the following:

- The Ministry is not party to the negotiations between CMSMs and child-care providers, or to the resultant agreements, nor does it receive any information with respect to the amounts paid to and the services provided by individual agencies.
- Budget requests from CMSMs to ministry regional offices lacked the information needed to make informed funding decisions. For example, while requests generally provided information on the total number of children to be served, they did not provide information on the age groupings, the number of low-income or ESL families, or the number of children on waiting lists. Such information can have a significant impact on costs.

  In fact, our review of detailed cost and service information at the CMSMs that we visited, as well as other information obtained by means of a questionnaire sent to other CMSMs, confirmed that child-care costs not only varied significantly between age groupings but also varied significantly between different child-care centres for the same age grouping (see Figure 4).
- There was no evidence that the Ministry assessed budget submissions from CMSMs to determine whether the funding requested was reasonable and commensurate with the value of the services to be provided.

Figure 4: Range of Child-care Costs by Age Category

Source of data: Selected consolidated municipal service managers

Age Category	Lowest per-diem Cost ($)	Highest per-diem Cost ($)
infant (0–18 months)	24	63
toddler (18–30 months)	20	75
preschool (30 months to 5 years)	17.5	75
school age (6+ years)	8	60

- In many of the cases we reviewed, the CMSM budgets submitted were not reviewed and approved by the regional office until long after the June 30 deadline and, in some cases, after the calendar year-end. In these cases, CMSMs could be allocating funding to child-care agencies without confirmation of their own budgets and funding allocations; and where a change in allocation might occur, the CMSM would have little or no time to adjust for the increase or decrease in funding.

RECOMMENDATION

To ensure that agencies providing child-care services receive funding based on the relative need for subsidized child care in each municipality, the Ministry should:

- require that consolidated municipal service managers (CMSMs) report information that is sufficiently detailed and relevant to the Ministry's funding decisions;
- critically assess CMSMs' budget requests to ensure that approved funding amounts are commensurate with the value of the services to be provided by the delivery agencies; and
- review and approve budget requests on a more timely basis.

MINISTRY RESPONSE

The Ministry has formed an advisory group that includes consolidated municipal service managers (CMSMs) to review the child-care service data elements requested by the Ministry by the middle of October 2005 to make sure that they continue to remain relevant and useful to both the Ministry and the CMSMs. Strategies will also be established to enhance the expertise of both municipal and ministry staff to analyze and make more effective use of the data requested in service planning and resource allocation.

Revised child-care service management requirements will be distributed to the Ministry's regional offices and to CMSMs beginning in the summer of 2005.

Consistent with the designation of CMSMs as delivery agents under the *Day Nurseries Act*, the Ministry believes that the combination of the child-care service plan and the budget submission prepared by the CMSMs provides information at an appropriate level of detail for the Ministry to approve budgets at the system level.

The Ministry recognizes that the fee-subsidy system is very dynamic and the mix of children, fee-subsidy costs, and the location of fee subsidies can fluctuate significantly from quarter to quarter. This often requires that a CMSM adjust the planning targets that were initially established. This must be done within approved funding levels.

The Ministry establishes time frames within the government business cycle. These ministry time frames will be revised to better accommodate the government business cycle and the funding approval processes for CMSMs. All service contracts allow funding to continue beyond the contract dates and require service levels to be maintained until a new service contract has been signed.

Quarterly Reporting

To monitor in-year performance against agreed-upon targets, CMSMs are required to submit quarterly year-to-date reports that include budgeted versus actual expenditures and service data, such as the number of families and children served. The first three quarterly reports are due 50 days after the end of the relevant quarter, and the fourth quarterly report is due 65 days after year-end. As part of the quarterly reporting process, the Ministry requires the CMSMs to highlight, fully explain, and describe an appropriate course of action for all budget-to-actual variances greater than 10% or $10,000 for financial data, and 5% for service data.

For about half of the quarterly reports we reviewed, we found that the CMSMs submitted them past the due dates, with the delay ranging from about one month to five and a half months after the due date. In addition, we found a number of reports where variances between actual and budgeted amounts were greater than 10% or $10,000 for financial data, and 5% for service data, with no explanation for the variances or with explanations that were insufficiently detailed. For example, in one CMSM's quarterly report, a year-to-date cumulative total of $619,100 for "child-care informal care" appeared; but the following quarterly report showed the same line item with a cumulative total of $347,804, a decrease of 44% from the original total. No documented explanation was provided, nor was there any evidence of a review or follow-up by the Ministry for this decrease in the cumulative total.

Finally, our review of files at ministry regional offices found that descriptions of the action to be taken to address identified variances were usually very general statements that did not provide details as to exactly what action would be taken. For instance, some files indicated the following: "continue to monitor" and "will continue to exceed provincial funding level." These, in our view, do not constitute adequate descriptions of action to be taken to address budget-to-actual variances.

RECOMMENDATION

To facilitate the assessment of performance against agreed-upon targets for funding provided to consolidated municipal service managers (CMSMs) for the provision of child-care services, the Ministry should ensure that:

- quarterly reports by CMSMs are received and reviewed by the required due date; and
- all significant variances between what was budgeted and what was spent have been satisfactorily explained and any required corrective action identified.

MINISTRY RESPONSE

Regions have been directed to apply the existing sanctions policy where consolidated municipal service managers (CMSMs) are late in submitting documentation such as quarterly reports. The sanctions policy outlines an incremental process that regional offices will use to acquire overdue documentation from CMSMs.

The Ministry recognizes the need for a more consistent use of existing tools for identifying, analyzing, and following up on variances in the quarterly reports prepared by regional offices. Therefore, for 2005/06, the Ministry's business practices package includes a standardized electronic format requiring an analysis of the variance and creation of an action plan to address the variance. Budget training on the new package began in March 2005.

The Ministry's governance and accountability framework includes a transfer-payment business cycle checklist of the activities to be completed to establish service system management expectations and priorities, set budgets, negotiate service contracts, and monitor performance.

Annual Program Expenditure Reconciliation

All CMSMs must prepare and submit to the Ministry an Annual Program Expenditure Reconciliation (APER), together with an audited financial statement, no later than four months after the fiscal year-end. The APER should reconcile a recipient's approved budget with actual expenditures and identify ministry-funded program surpluses or deficits. As per ministry policy, recovery of identified surplus funding should be underway no later than 12 months after the calendar year-end in which it arose and must be completed within 24 months.

Our review of a sample of APERs found that almost two-thirds were submitted past the due date, with the lateness ranging from one month to over seven months after the due date. In addition, we identified concerns that were similar to those we identified in 1999, specifically with respect to the limited effectiveness of the process. For instance, for almost all of the APERs we reviewed during the current audit, the accompanying audited consolidated financial statements lacked either sufficient detail or the note disclosure necessary to identify inappropriate or ineligible expenditures and to permit the reconciliation of the audited financial statements with the APER-reported actual expenditures.

RECOMMENDATION

To more effectively identify funding surpluses and inappropriate or ineligible expenditures, the Ministry should ensure that the audited financial statements accompanying the Annual Program Expenditure Reconciliations (APERs) are sufficiently detailed to permit the identification of specific child-care–related expenditures and the reconciliation of the financial statement to the APER-reported actual expenditures.

MINISTRY RESPONSE

The Ministry will take the audit recommendation under consideration in reviewing the existing APER requirements to determine whether the APERs and audited financial statements are sufficiently detailed. Regional offices will continue to work with consolidated municipal service managers to meet established deadlines as well as the requirements for independent verification of expenditures.

MANAGEMENT INFORMATION SYSTEM

All child-care expenditure and service information is maintained in the Ministry's Service Management Information System (SMIS). On a quarterly basis, regional office staff enter information received from CMSMs into the SMIS. Regional office Directors must confirm in writing to the Ministry's corporate office that the information entered into the system is complete and accurate.

The information available in the SMIS is only in total-summary form—for instance, the total number of full-day-equivalent fee-subsidy children served; the total costs for these services; and the total wage subsidies paid. Such summary totals do not reflect the age category of children served or the related service costs for those categories, or even the number of centres receiving wage-subsidy funding. The Ministry does not collect such detailed data. Information on the number of children cared for with the related per-diem costs per age category and on the amount of wage-subsidy funding provided to each agency would enable the Ministry to make more informed funding decisions, to assess identified variances between the actual and budgeted services or costs, and to assess CMSMs' performance.

RECOMMENDATION

The Ministry should ensure that the information captured in its Service Management Information System (SMIS) for child-care services is sufficiently detailed to enable it to make informed funding decisions and to subsequently identify significant actual-to-budget variances.

MINISTRY RESPONSE

The Service Management Information System allows for year-to-year comparisons on a system basis to identify trends and support planning provincially and regionally, rather than support in-year management of funds, which primarily occurs at the regional level based on quarterly reports and variance explanations submitted by the consolidated municipal service manager (CMSM).

CMSMs use the Ontario Child Care Management System (OCCMS) to manage the child-care system at the individual-CMSM level. The OCCMS contains detailed information on fee subsidies, wage subsidies, and other elements of the service system. In partnership with the Ministry, upgrades to the OCCMS occur on a regular basis. Work is underway on an OCCMS upgrade that will link each CMSM with the Ministry, enabling the Ministry to directly access child-care system data. This linkage will be in place by June 2006.

Chapter 3

Section

3.05

Ministry of Transportation

Driver and Vehicle Private Issuing Network

Background

The Ministry of Transportation (Ministry) has a mandate to provide Ontarians with a safe, efficient, and integrated transportation system. Its Road User Safety Division works to improve road safety and mobility, through the promotion and regulation of safe driving behaviour, and customer service and the accessibility of ministry products and services, including those relating to driver and vehicle licensing. These products and services are available through a variety of channels, including the Internet, driver examination centres, ServiceOntario kiosks, mail, and phone. However, the most significant of these service delivery channels are the privately operated issuer offices, which are located in communities throughout the province and are collectively known as the Private Issuing Network (PIN).

The PIN processes almost 19 million transactions annually, including approximately 80% of Ontario's vehicle registration transactions and 40% of its driver-licensing transactions. Essentially, the PIN handles the full range of renewal and replacement transactions for licences, validation stickers, and plates, and processes applications for such products as Disabled Person Parking Permits. Services relating to obtaining an original driver's licence, such as vision and road tests, are provided by driver examination centres. In the 2004/05 fiscal year, the PIN collected over $766 million in revenue for driver and vehicle products and services. PIN operators receive commissions for processing transactions—in 2004/05, over $42 million in commissions were paid to them.

In addition, the PIN collects retail sales tax for the Ministry of Finance on the sale of used vehicles (collecting about $130 million in 2004/05) and defaulted parking fines for the Ministry of the Attorney General (collecting about $42 million in 2004/05).

There are currently some 280 PIN offices, employing approximately 1,200 people. The Ministry estimates that 98% of all Ontario residents live within 40 km of one of these offices, which vary significantly in both size and business volume, as shown in Figure 1. The terminals referred to are computer terminals from which PIN offices connect to ministry systems and process transactions. While the majority of offices are stand-alone businesses, 35% operate in conjunction with another business, such as a hardware store.

Figure 1: Breakdown of Types of PIN Offices

Source of data: Ministry of Transportation

Size of Office	#	% Total Offices	% Total Transactions
small (i.e., offices of 1–2 terminals in mostly rural/remote locations)	168	60	20
mid-sized (i.e., offices of 3–5 terminals in mostly urban locations)	76	27	39
large (i.e., offices of 6+ terminals in mostly large urban locations)	36	13	41
Total	**280**	**100**	**100**

Audit Objective and Scope

The objective of our audit of the Ministry's management of its Private Issuing Network (PIN) was to assess whether adequate policies and procedures were in place to:

- ensure that driver- and vehicle-licensing products and services were provided with due regard for economy and efficiency and in compliance with legislation and ministry policy; and
- measure and report on the effectiveness of network services.

We identified criteria that would be used to conclude on our audit objective. These were discussed with and agreed to by senior management of the Ministry. Our audit fieldwork included examining documentation, analyzing information, interviewing staff at the Ministry's head and regional offices, and visiting six PIN offices. We surveyed all remaining PIN offices, achieving a response rate to our survey of nearly 65%. In addition to the valuable input provided directly by issuers, we gathered information from meeting with the president and the past president of the Ontario Motor Vehicle Licence Issuers Association.

Our audit was conducted in accordance with professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such procedures as we considered necessary in the circumstances. We also reviewed the relevant recent reports and activities of the Ministry's Internal Audit Services Branch. Although these reports and activities did not affect our audit scope, a number of the issues identified by the Branch were helpful in shaping our subsequent audit work.

Summary

The Ministry and the government view the Private Issuing Network (PIN) as a strategic asset of significant value for delivering front-line government services. With no PIN compensation increases in eight years, the PIN delivery model has been relatively cost efficient. However, due to the lack of increase in compensation as well as other factors, relations between the Ministry and the PIN have been deteriorating over the last several years, with the result that the two parties are now more adversaries than partners. Opportunities for any future use of the PIN, including the possibility of expanding its range of services to improve front-line service to Ontario citizens in non-driver–related areas, may be lost if a better working relationship is not established.

With respect to relations between the Ministry and the PIN and the quality of services delivered to the public, we found the following.

- Issuer compensation has not been increased since 1997. The annual stipend, one component of this compensation, falls short of ensuring the financial viability of smaller offices, and many low-volume issuers appear to be struggling for their financial survival.

- Policies and procedures developed by the Ministry were not applied consistently across the PIN, primarily because of the different contractual relationships in place between the Ministry and private issuers. Of some 280 issuers, 246 were operating under an older contract that, unlike the newer one, has no fixed term, does not specify remedial action if performance falls below acceptable standards, does not require issuers to pay for stock lost even if adequate safeguards are not in place, does not avoid conflicts of interest by allowing issuers to be co-located with automobile dealerships, and does not require police record checks on new staff prior to accessing confidential data on the Ministry's Licensing and Control System.
- A third of customers completing comment cards issued by PIN offices were generally dissatisfied with the service provided, and the Ministry was not summarizing this information to identify the more pervasive issues requiring corrective action. Major complaints included lengthy wait times and staff not being courteous and helpful. Lengthy wait times could be partially addressed by providing more terminals to some PIN offices. Transaction volumes at 54 offices may justify an additional terminal, while 39 offices may have more terminals than they require.
- Only about 50% of calls to the Ministry's call centre, which helps issuers process transactions, were being answered within two minutes, whereas the ministry target was for 80% of calls to be answered in that time. Call-centre operators were also not available to take calls approximately 40% of the time. In addition, although we noted that call volumes had nearly doubled since 1996, there was no process for globally training issuers on the most common call problems to reduce reliance on the call centre.
- Less than one-fifth of 1% of all plate-renewal transactions, which are completed by most Ontario drivers annually, were processed via the Internet in 2004. The government had estimated that, by 2006, 45%–77% of all such transactions would be conducted over the Internet. In addition, because Internet applications were not integrated with the Ministry's licensing systems, these transactions actually cost more for the Ministry to process than if they had been processed by issuers.

With respect to the adequacy of controls over issuer offices and the Ministry's monitoring of compliance with legislation and ministry policy, we found the following.

- The Ministry has not met its own monitoring standard of conducting a full audit of each issuer annually. While 159 full audits were completed in 2001, the number dropped to only three in 2002 and only one in 2003. Although there was slight improvement in 2004, with 19 full audits completed, this still represents a coverage of only 7% of the total population of 280 issuing offices. Seven offices have never been audited.
- The lack of audit coverage, as well as weaknesses in system or supervisory controls, meant that many serious risks were not being adequately managed. For example:
    - When electronically processing transactions, issuers are able to adjust fees and make unjustified data entries (for example, making minor changes to address information or generating multiple driver and vehicle transactions) in order to generate additional commissions.
    - When manually processing transactions, issuers are able to enter incorrect amounts of revenue and commissions. For nearly one-third of the manually processed transactions we sampled, issuers' commissions had been entered incorrectly (overstated in most cases).

- There have been incidents of misuse of customer credit-card information, as well as fraudulent driver's licences being created by altering existing driver's licence photos, dates of birth, names, and addresses.
- Items of stock, such as licence plates, stickers, temporary driver's licences, and permits, have been lost and could be used for illegal purposes. Over the past four years, over 56,000 high-risk stock items have been reported either missing or stolen.

We also noted that the Ministry does not have adequate procedures in place to ensure that:

- all drivers in the province are insured; and
- drivers who apply for a Disabled Person Parking Permit are entitled to one.

OVERALL MINISTRY RESPONSE

The Ministry values the work of the Office of the Auditor General and appreciates the Auditor General's recommendations.

Senior staff of the Ministry have met with staff of the Office of the Auditor General on several occasions and have agreed on four priority areas relating to the Private Issuing Network:

- developing a strategy for compensation, with consideration for both large and small offices;
- implementing effective methods to measure customer satisfaction;
- improving internal controls; and
- introducing measures to improve the working relationship between the Ministry and the Private Issuing Network.

We are taking action on all of the Auditor's recommendations.

Road safety, quality customer service, effective stewardship of government revenues, and the protection of personal information are top priorities for this Ministry.

The Ministry appreciates the vital and longstanding role private issuers continue to play in the delivery of driver- and-vehicle licensing services across Ontario.

Detailed Audit Observations

When the Ministry delivers products and services such as driver's licence and vehicle renewals, it strives to ensure that consistently high levels of service are provided to the public and that its products and services are provided in compliance with regulations, while at the same time ensuring that all appropriate revenues are collected by the PIN and promptly remitted to the government. The Ministry has developed policies and procedures related to these three objectives and monitors PIN operations for adherence to them.

QUALITY OF SERVICE

Systemic Concerns

Compensation

A major impediment to the provision of consistent, high-quality service to the public is issuers' dissatisfaction with their compensation. This issue particularly affects the smaller issuers in remote locations, and ministry staff have indicated that it is increasingly difficult to find new operators when small-office operators retire or quit.

In 1987, the Ministry implemented its current approach to compensating issuers, which consists of two components: a time-based commission for each transaction processed and an annual stipend. Commissions are the primary source of compensation and are designed to pay issuers based on the complexity and effort required to process each type of transaction.

The commission value for each transaction is determined by multiplying an estimated benchmark processing time by a compensation rate. When significant changes in procedures occur, the Ministry reviews and updates the time benchmark. The compensation rate, which was last increased in 1997, is currently set at $0.5575 per minute for all transactions. The lack of an increase in this commission rate over the last eight years is the single biggest source of issuer dissatisfaction. For the purposes of comparison, we note that in Quebec, the compensation rate paid to issuers is $0.846 per minute, or 52% higher than in Ontario.

The Ministry maintains that, with the greatly increased opportunities to earn higher commissions as a result of the many more transactions issuers have been processing in recent years, increasing the commission rate has not been required. However, the issuers contend that staffing and other costs have increased commensurately with the increased processing volumes and that the simpler transactions, which are the most profitable, are increasingly being done through alternative channels such as ServiceOntario kiosks. The PIN is thus left to handle a greater percentage of the more complicated transactions that often require extensive customer interaction or calls to the ministry hotline service. The issuers' view is that the time-based commission compensates issuers only for the time it takes to process a problem-free transaction and does not take into consideration the interaction time spent with customers needing additional advice and assistance, who are becoming increasingly common.

The operator of ServiceOntario's kiosks is also paid a higher transaction fee for processing the same driver and vehicle transactions that issuers process. Although the Ministry has recently negotiated a lower fee structure with the kiosk service provider, our review substantiated that a discrepancy in the amount paid still exists for the majority of the eight ministry transactions that kiosks currently process. For instance, the Ministry pays the kiosk service provider a transaction fee of $2.45 for each address change processed but pays issuers a commission of only $1.32 (46% less) for the same transaction. Similarly, for vehicle licence renewals, the Ministry again pays the kiosk service provider a $2.45 transaction fee but pays issuers a fee of only $1.82 (26% less).

The annual stipend, the second component of issuer compensation, is a fixed annual payment to issuers of $2,057. It too was last increased in 1997. Ministry documentation indicates that the stipend is intended to:

- provide low-volume issuers with a fixed minimum income in addition to their commissions;
- compensate issuers for a portion of fixed costs incurred regardless of business volumes;
- improve the financial viability of issuing offices that are often operated in conjunction with another business; and
- help reduce the high turnover of lower-volume offices and thereby stabilize the PIN.

Although the compensation formula is identical for all issuers, issuers handle significantly different business volumes and accordingly earn incomes that vary widely. Figure 2 summarizes the compensation paid to most issuers in 2004 (besides this compensation, some offices earn income from a co-located business—that is, a businesses with which they share their premises).

As Figure 2 illustrates, the commissions paid to an individual issuing office in 2004 ranged from about $3,600 (at an office with one terminal) to over $660,000 (at an office with six terminals). In fact, 88 issuers earned less than $50,000 in commissions in 2004, which, combined with the $2,057 stipend, had to cover office expenses. These expenses include staff salaries and wages (if any), rent, utilities, supplies, and other costs, all of which have continued to rise since the commission rate was last set eight years ago. Although we cannot access confidential issuer net profitability figures to confirm our analysis, Figure 2 and anecdotal

Figure 2: Compensation and Revenues for Issuer Offices According to Number of Terminals, 2004

Source of data: Ministry of Transportation

	Number of Terminals				
	1	2	3–5	6–9	Total
Total number of offices	**111**	**47**	**72**	**39**	**269[1]**
Commission ($ 000)					
office with lowest annual commission	3.6	36.6	76.0	130.7	
office with highest annual commission	70.7	132.0	396.1	660.3	
average commission/terminal	30.8	42.8	51.4	60.0	
average commission/office	30.8	85.6	208.5	395.5	
Total commission[2] ($ 000)	**3,417.3**	**4,021.3**	**15,010.6**	**15,425.6**	**37,874.8[1]**
Stipend					
per office ($)	2,057.0	2,057.0	2,057.0	2,057.0	
% of total compensation	6.3	2.4	1.0	0.5	
Total average compensation/office ($ 000)	**32.8**	**87.6**	**210.5**	**397.6**	
Revenue ($ million)					
average/office	0.6	1.6	3.9	7.3	
Total revenue[3]	**66.2**	**75.3**	**277.3**	**284.9**	**703.7[1]**

1. Only those offices for which a full year's worth of data was available were used in this analysis.
2. Commission amounts are based on the 2004 calendar year.
3. Revenue amounts are based on the 2003/04 fiscal year.

evidence suggest that many small issuers, particularly those that are not co-located with another business and therefore have no other source of revenue, are struggling for their financial survival. Seventy-nine of the 158 small (one- or two-terminal) offices face this challenge of relying exclusively on ministry compensation.

Since closing low-volume offices would in most cases run counter to the Ministry's customer service objectives, new compensation arrangements may be necessary to ensure network stability. One area that we consider worthy of review is the use of the annual stipend. Figure 2 illustrates that the stipend is an insignificant component of total compensation for the larger offices but can be a vital subsidy for smaller ones. Given this, in our view the Ministry should consider moving from a fixed stipend per office to a variable stipend dependent on such factors as office size, the need for financial support, and the desire to maintain a presence in a geographic area. Applying these factors could eliminate the stipend for larger offices, allowing more stipend monies to go to smaller offices. For such offices, an increased annual stipend could provide low-volume issuers with enough income to adequately supplement the much lower commissions they earn. In this regard, we note that in Quebec, each issuer is guaranteed a minimum revenue of $21,500 annually.

Just as the operators of PIN offices have concerns about their compensation from the Ministry, so too do PIN office staff have issues with their wages from the operators, which are quite low. Issuers that we visited and some that responded to our survey indicated that they can afford to pay their staff no more than $10–$12 per hour. In comparison, at the single ministry-run issuing office, ministry employees earn on average over $20 per hour for doing the same work as PIN employees.

Associated with these low wages is the fact that many offices suffer from high turnover and difficulties in hiring quality staff. Worst hit are the central and southwestern regions, where larger offices require more staff and living costs are highest. This problem is heightened by the fact that training staff is becoming increasingly time-consuming as transactions become more complex, expectations regarding privacy and security procedures rise, and reviewing the documentation supporting a transaction (such as customer identification papers) becomes increasingly important and lengthy.

Two recent reports by ministry parliamentary assistants—one dated August 2003 and the other September 2004—also concluded that the PIN was not being fairly compensated and recommended increases in both the commission rate and the annual stipend.

RECOMMENDATION

In order to ensure that the Private Issuing Network remains stable and customer service levels are maintained, the Ministry should, as part of the process of negotiating a new province-wide agreement with private issuers, conduct a review of its compensation arrangements.

MINISTRY RESPONSE

We agree that the issuers need to be fairly compensated for the important work they do.

The Ministry will be implementing a pilot project that will encourage market-driven compensation for driver-licensing and vehicle registration services. The Ministry will then discuss the results with the Private Issuing Network and initiate a comprehensive review of issuer compensation.

The Ministry is also looking at alternative strategies for issuers to improve revenue opportunities, including the implementation of a minimum compensation guarantee for issuing offices that are located in remote, underserviced communities and whose annual commissions are below $10,000, to ensure their continuing presence there; and allowing issuers operating under the 2001 Private Issuer Agreement to participate in advertising programs and engage in the sale of selected consumer products.

Contractual Agreements

Another major impediment to the provision of consistent, high-quality service to the public is the lack of a single, standardized relationship between the Ministry and its private issuers that establishes their respective responsibilities. This has been noted both by our Office in past audits and by the Ministry's Internal Audit branch. As a result, a number of practices and performance requirements vary throughout the PIN, and many significant requirements are not being fully met.

There are two fundamentally different contractual agreements currently in place between the Ministry and its issuing offices: a Memorandum of Agreement, which dates from 1982 and governs 246 private issuers, and a Private Issuer Agreement, which dates from 2001 and governs the remaining offices (numbering 34 at the time of our audit).

By the Ministry's own admission, the 1982 memorandum no longer adequately reflects the current roles, responsibilities, and performance expectations of both the Ministry and private issuers, in part because of two major changes that have occurred over the last 15 years. First, the numbers of both drivers and registered vehicles in Ontario have grown substantially, increasing the volume of transactions that issuers process. Second, the PIN now processes more types of transactions, many of which were previously undertaken by ministry-run issuing offices. For example:

- The PIN became responsible for new types of transactions with the introduction of the graduated licensing system in 1994 and the Drive Clean program in 1999.
- In 1998, 17 types of transactions previously

Figure 3: Key Differences Between the 2001 and 1982 Agreements

Prepared by the Office of the Auditor General of Ontario

2001 Private Issuer Agreement (governing 34 offices)	1982 Memorandum of Agreement (governing 246 offices)
Agreement runs for a fixed five-year term, with provisions for renewing for another five years.	Agreement has no fixed term and expires only on the resignation, retirement, or death of the issuer.
Ministry can terminate contract without cause after giving 60 days' notice.	Termination without cause has legal risks.
Issuer must give 120 days' notice before resigning.	Issuer must give only 60 days' notice before resigning.
Agreement may be assigned to a third party.	Agreement is not transferable.
Issuer must carry liability insurance of $2,000,000 or more for any damages arising on the premises.	Issuer must carry liability insurance of only $500,000 or more for any damages arising on the premises.
Issuer must comply with the *Freedom of Information and Protection of Privacy Act*, the *French Language Services Act*, and the *Ontarians with Disabilities Act* (Acts).	Issuers' compliance with the Acts is not required.

Figure 4: Contractual Concerns and Implications

Prepared by the Office of the Auditor General of Ontario

Concern	Implication
Unlike 2001 agreement, 1982 memorandum does not contain: • provisions for remedial action when performance falls below acceptable standards; • penalties for not following policies and procedures; and • dispute-resolution mechanisms.	Ministry has difficulties taking corrective action when issuers not performing adequately (we noted two issuers with poor customer-service records not complying with ministry directives, despite reminders; some complaints date back to 1991).
Under 1982 memorandum, contract termination is only remedy for lack of compliance or poor service.	According to Ministry, termination has significant legal risks since 1982 memorandum has no fixed term.
Unlike 2001 agreement, 1982 memorandum does not require that issuers obtain police record checks of staff.	Ministry has less assurance that only appropriate individuals have access to confidential driver data.
1982 memorandum does not require participation in Performance Management Program, which establishes issuer performance expectations, benchmark standards, responsibilities, and operating procedures (78 issuers currently not participating in program).	Issuers not participating in program: • undergo less rigorous audit process (lacking annual customer survey, scorecard summarizing audit results, and corrective-action plan); and • do not require that staff sign non-disclosure agreements to help ensure confidentiality of consumer information.
1982 memorandum does not require that issuers pay for lost stock (e.g., plate stickers, licences, and permits) (2001 agreement requires payment if proper safeguarding practices not followed).	Offices have less incentive to properly safeguard stock, which may go missing, be stolen, and be used for fraudulent or illegal purposes.
Unlike 2001 agreement, 1982 memorandum does not restrict issuers from manufacturing, selling, or leasing motor vehicles.	Car dealership operated by issuer has unfair competitive advantage over other dealerships that use the issuer to process their vehicle transactions, since joint dealership/issuer has access to competitors' selling prices (we noted six such cases).

processed only by ministry-operated offices were transferred to the PIN, including the issuing of replacement driver's licences, the early renewal of driver's licences, and the issuing of driver-instructor's licences.

- In early 2002, all remaining routine driver- and vehicle-licensing products and services began to be provided by the PIN (there is currently only one ministry-run issuing office remaining to deliver such products and services).

The Private Issuer Agreement was introduced in November 2001 to better reflect the growing role of private issuers in delivering ministry services and to better define expected levels of service to the public. The new agreement outlines mandatory standards, policies, and procedures for issuing offices. The Ministry originally intended to migrate existing issuers to this new agreement but has been unsuccessful in doing so. At the time of our audit, only the 34 issuing offices established after the agreement was introduced had entered into the new agreement. We note in this regard that nearly all of the issuers that we visited that were operating under the 1982 memorandum, as well as some that responded to our survey, indicated that they would not voluntarily migrate to the new agreement because they considered it too one-sided in favour of the Ministry.

Figure 3 highlights some of the key differences between the 2001 agreement and the 1982 memorandum.

Having a vast majority of offices operating under a less stringent agreement creates a number of issues with respect to the quality of service provided. Figure 4 shows some of our concerns in this regard.

If levels of service across the province are to be consistently high, the contractual standards under which each office operates must also be uniform and consistently high throughout the PIN.

RECOMMENDATION

To ensure that policies, procedures, and the public's service expectations for processing driver and vehicle transactions are applied consistently and effectively across the province, the Ministry should work with private issuers to develop a new agreement acceptable to both parties. The new agreement should be reflective of the current roles, responsibilities, and expectations of both the Ministry and private issuers.

MINISTRY RESPONSE

We appreciate the importance of a consistent contract across the issuing network and are working towards a common contract for all issuers. However, our current contractual obligations make it difficult to unilaterally require all issuers to migrate to one type of contract without adequate notice.

As noted in the Auditor General's report, the Private Issuer Agreement implemented in November 2001 improves accountability and strengthens performance measures. As of June 2005, there were 40 private issuers operating under this agreement and five who were in the process of transitioning from the 1982 Memorandum of Agreement to the 2001 Private Issuer Agreement.

The benefits of the current Private Issuer Agreement include the following:

- issuer may assign the agreement to a third party;
- issuer may operate more than one issuing office;
- issuer is permitted to conduct business through a partnership or corporation; and
- issuer is permitted to participate in advertising programs and sell selected consumer products.

The Ministry is working with the Ontario Motor Vehicle Licence Issuers Association to review and promote transition to the Private Issuer Agreement. If necessary, the Ministry will investigate options of either enhancing this agreement or moving towards a completely new contract containing new features.

Ministry–Issuer Relations

When we surveyed the PIN on how operations could be improved, a number of issuers voiced concerns about their relationship with the Ministry. Complaints were expressed about a lack of effective communication between the PIN and the Ministry on issues such as compensation, the Ministry's setting of policies and procedures without PIN input, and the Ministry's general unresponsiveness to issuers. Here are a few examples of the types of comments we received.

> You have a very unhappy PIN—we could be an outstanding service delivery network if we were paid properly and given some respect for the work that we do.
>
> Treat us as the capable business people that we are instead of the master–slave relationship that we now have.
>
> Over 12 years later the issues remain the same. The issuers are not being heard or taken seriously.
>
> I feel the Ministry of Transportation regards the PIN with much disdain.
>
> The Ministry's refusal to address the key concerns of issuers is poisoning relations and hampering any efforts to work toward positive changes with the Private Issuing Network.

As discussed in a later section, the government is currently developing a strategy to expand its use of the PIN as a way of increasing and improving front-line services to Ontario's citizens. However, the current state of the relationship does not bode well for any future attempt to expand the PIN's role. Opportunities may be lost if a better working relationship between the Ministry and its PIN business partners is not established.

RECOMMENDATION

To ensure an effective long-term partnership with the Private Issuing Network (PIN), particularly given the PIN's potential role in enhancing front-line government services, the Ministry should develop a formal strategy to improve this partnership.

[illegible]

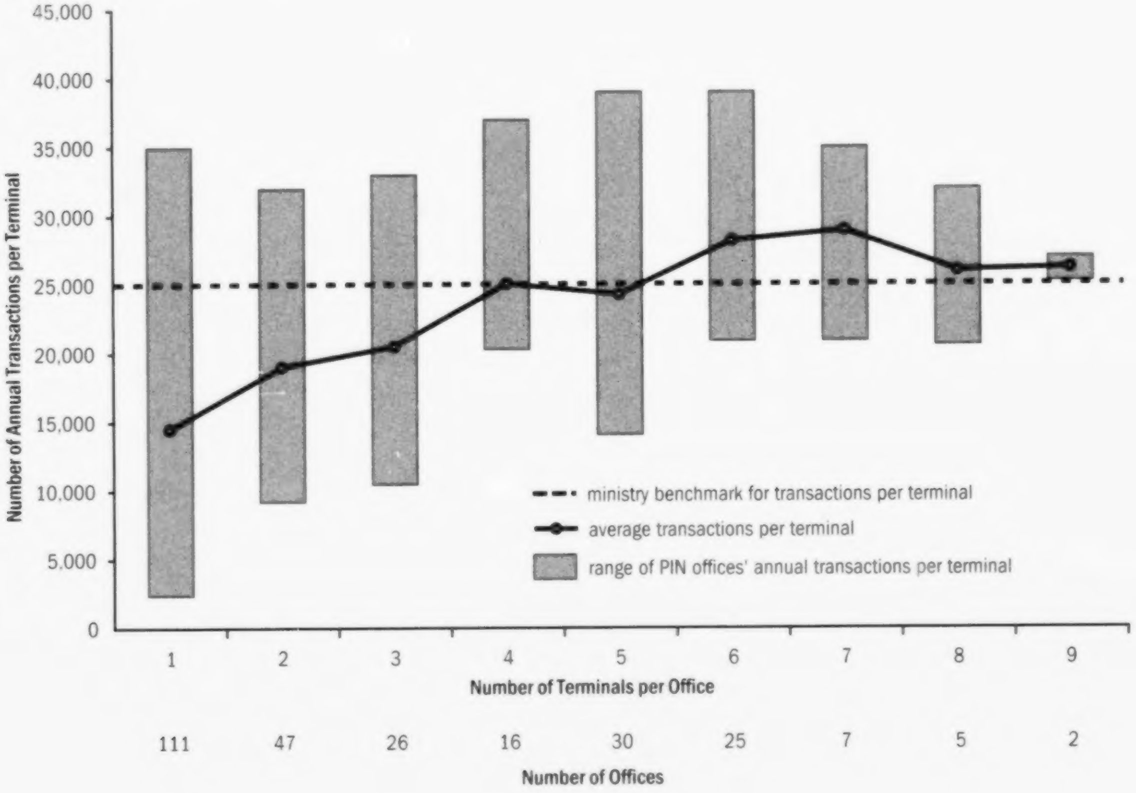
The Ministry is committed to strengthening its partnership with the Ontario Motor Vehicle Licence Issuers Association and the PIN through enhanced dialogue and business improvements.

The Ministry has recently taken steps in this regard by establishing two joint committees with the Ontario Motor Vehicle Licence Issuers Association—one that examines operational issues that impact issuers' daily operations and another that examines strategic, long-term business initiatives designed to improve the Private Issuing Network.

The Ministry is currently developing training sessions to be delivered to the PIN commencing winter 2005/06, focusing on strengthening business integrity and customer fraud awareness. The Ministry will also continue to consider additional training opportunities for the PIN. These initiatives are two examples that demonstrate the Ministry's commitment to ensuring an effective relationship with the PIN.

Figure 5: Transactions per Terminal Throughout the PIN

Source of data: Ministry of Transportation



Customer Concerns

Overall, a third of customers completing cards issued by PIN offices in 2004 were generally dissatisfied with the service provided. Staff not being courteous and helpful was a major complaint, and the Ministry received many negative comments relating to customer wait times. Two-thirds of these customers reported waiting more than 20 minutes for service, and one-third waited more than 30 minutes.

Two key factors in successfully managing wait times are the number of customer service staff available and the number of computer terminals available. Many issuers indicated that they would like additional terminals to improve service, but, since the government pays for the terminals and their upkeep, the Ministry is reluctant to provide them unless business volumes clearly justify their use. It uses a standard of 25,000 annual transactions per terminal as one key factor in assessing whether more terminals are needed.

Figure 5 summarizes PIN business volumes relative to the number of terminals at offices. The bars in Figure 5 capture the range in the number of annual transactions a single terminal processes in each different size of office (where the categories for size of office are based on the number of terminals per office).

Further information would be helpful in gaining a full understanding of business activity at PIN offices—for example, how is transaction volume distributed throughout the year? Are there significant workload peaks at certain times? In the absence of such detailed information or any other formal written analysis, we proceeded to use the data we had on annual transaction volume to assess the need for computer resources in the PIN.

We identified, for each size of office, both the number of offices where the business volume significantly exceeded the ministry standard and the number of offices where it fell significantly short of the standard. We determined that, throughout the PIN, 54 offices had terminals processing a sufficiently high number of transactions to possibly warrant the provision of an additional terminal. Similarly, throughout the PIN, 39 offices had terminals processing a sufficiently low number of transactions to possibly warrant reallocation of a terminal to another office. Based on information provided by the Ministry that a four-terminal office costs approximately $30,000 annually to maintain, we estimated that if all the additions and reallocations of terminals we recommended were made, the Ministry's annual costs would increase by approximately $110,000. However, this could have a very positive impact on service needs at the busier offices.

Since the 71 ServiceOntario kiosks located throughout the province are another channel for serving customers who need to make driver- and vehicle-licensing transactions, we reviewed their transaction volumes to determine whether they were being optimally used. We noted that the volume of transactions processed per kiosk in the 2003/04 fiscal year ranged from 1,387 to 34,204, with an average volume per kiosk of 16,530. Our analysis suggested that 18 of the kiosks were underutilized, with a volume of less than 10,000 transactions. The Ministry might consider whether to maintain the location of low-volume kiosks, depending on whether alternative sources of services exist in the area, or move them to high-volume locations that would better serve the public.

RECOMMENDATION

To help it improve service to the public in a cost-effective manner, the Ministry should:

- consider giving additional terminals to those private issuing offices whose transaction volumes are significantly higher than the Ministry's standard;
- consider redistributing terminals from offices whose transaction volumes are significantly below the Ministry's standard; and
- evaluate the usage of ServiceOntario kiosks to determine if kiosks that are least used would be better located in higher-traffic areas.

[illegible]

The Ministry agrees with the Auditor General that the public should receive service in the most cost-effective manner possible.

The Ministry is developing a standard business process to be used by Issuing Office Administrators when assessing whether to add, remove, or redistribute terminals as required to meet customer demand. Expected implementation of this process is mid-2006.

The Ministry reviews transaction volumes at issuing offices following a two-step process to assess customer service demand. First, the Ministry examines the operating capacity of each issuing office to determine whether an additional office or strategic allocation of terminals is warranted. There are no specific benchmarks, as each issuing office is reviewed independently. The Ministry's analysis is based on its knowledge of the issuing office, the types of transactions typically conducted there, and the efficiency of the issuer.

If the initial analysis suggests that a new issuing office may be required in that area (in lieu of allocating additional terminals), the

Ministry conducts a more detailed business-demand analysis (BDA). The BDA looks at the demographics of the area, historical business growth/decline (for example, the number of motor vehicle dealers), current business viability for a new issuing office, and potential impacts on the public and other issuers in the surrounding area. The BDA is intended to confirm that a real need exists for continued or new/additional services.

In early 2005, the Ministry relocated two ServiceOntario kiosks to locations with higher customer populations and will relocate five more kiosks into new ServiceOntario Centres (tentatively beginning September 6, 2005). The Ministry will continue to monitor the kiosk network for both performance and customer service.

The Internet as a Service Alternative

Promotion of the Service

At present there are six types of ministry transactions that can be processed over the Internet as well as at PIN offices: vehicle and driver address changes, vehicle plate renewals, requests for used-vehicle information packages, and requests for driver and vehicle abstracts (three-year statements of one's driving record and vehicle histories, respectively). For customers with access to a computer connected to the Internet, these transactions can be conveniently completed with no need to travel anywhere.

However, we noted that the Ministry does not promote this Internet channel. For example, the vehicle-plate-renewal application form, sent annually to millions of Ontario residents, makes no mention of the possibility of renewing the plates electronically. It does, however, specifically promote kiosks as an alternative to the standard approach of going to an issuer office for plate tags. In addition, although the form does not overtly promote service by mail, it does provide a mailing address that customers can use to renew their plates. The lack of promotion of the Internet channel is not in keeping with the government's overall commitment to world leadership in the provision of electronic services for Ontarians.

This lack of promotion may contribute to the fact that only about 250,000 driver- and vehicle-licensing transactions are processed over the Internet annually. In the 2003/04 fiscal year, this included only 10,892 plate-renewal transactions (less than one-fifth of 1% of the total of these transactions), which are completed by most Ontario drivers annually. Although this represents an increase from the 4,257 renewals processed for the period from November 2000 to January 2002 that we discussed in our 2002 report on electronic service delivery, the government originally projected that 45%–77% of such transactions would be completed electronically by 2006.

One possible reason for the lack of promotion of the Internet channel may be that the Ministry's Internet capability has not been integrated with its driver- and vehicle-licensing systems. Accordingly, once the Ministry receives an Internet application, all subsequent processing is manual, including the re-entering of the application data into the driver system by ministry staff. This meant that, for the 2003/04 fiscal year, providing Internet service cost the Ministry approximately $500,000, or about $2 per transaction. If the PIN had processed these same transactions, the Ministry would have paid commissions of approximately $365,000.

System Changes to Accommodate Internet Transactions

The process whereby the Ministry's Internet and licensing systems are to be integrated has been ongoing since fall 2001, when the government selected a private-sector firm to develop, for 24 government transactions, "end-to-end" Internet capability (that is, capability from user input all the way through to government databases). Notwithstanding the fact that 20 of these transactions were for the Ministry of Transportation, the firm was selected by the Ministry of Consumer and Business Services (MCBS), since it was MCBS, through its ServiceOntario arm, that was responsible for developing and managing in-person, telephone, and Internet service to individuals and businesses on behalf of the government.

The integrated Internet capability was to be up and running within about a year. However, we were informed that the firm was dismissed for breach of contract in 2003, before work was completed and before any payments to the firm were made. As a result, Internet transactions continue to be processed manually.

The Ministry estimates that developing a fully end-to-end Internet capability for 18 types of its transactions would cost approximately $3 million over four years, with additional ongoing costs approximating $190,000 annually. Currently, the PIN processes approximately 5.5 million of these transactions annually, at a cost of approximately $11 million in commissions each year. Using the Ministry's cost estimates, if 28% of these transactions were processed over the Internet, the Ministry would fully recoup its investment in one year. Thus, the Internet alternative, in addition to providing enhanced service to customers, could save the government a significant amount of money, depending on the percentage of customers who would eventually utilize it.

We note that a draft Memorandum of Understanding between the Ministry and MCBS called for the two ministries to work together on the development and implementation of end-to-end transactions to be made available over the Internet for vehicle registration renewals, the used-vehicle information package, and personalized licence plates by March 2006.

An issue to consider when planning for increased and improved Internet service is the revenue loss the PIN would undoubtedly suffer as a result. Although this is not in our view a valid reason to withhold such a significant service-level improvement from Ontarians, the government recognizes the value of the PIN in providing a physical front-line network for direct personal contact with Ontarians and thus the need to keep it viable and thriving. Strategies that the Ministry has been considering to accomplish this include:

- expanding the types of transactions the PIN processes to include, for example, the issuing of health cards or outdoors cards (cards used to protect/control various fish and wildlife natural resources, required by people wishing to go hunting or fishing) (nearly all the issuers that we visited and those that responded to our survey indicated that they would be willing to process such additional transactions to enhance their existing business); and
- transferring the PIN to the government's ServiceOntario arm.

RECOMMENDATION

To help ensure that its services are delivered cost effectively and that the public receives such services in as convenient a manner as possible, the Ministry should:

- fully integrate its Internet service with its driver- and vehicle-licensing system and expand and promote its use; and
- develop strategies for ensuring that the Private Issuing Network remains viable as Internet usage increases.

MINISTRY RESPONSE

We agree with the Auditor General that the public deserves services that are convenient and cost effective.

The Ministry supports the broader ServiceOntario strategy to provide citizens and businesses with access to high-quality, multi-channel delivery of government products and services. The Ministry is continuing to work with ServiceOntario to explore opportunities to increase access to government products and services through the Internet.

Given the existence of the Internet as a service alternative, the Ministry is developing strategies for ensuring that the Private Issuing Network remains viable, including implementing a minimum compensation guarantee for issuing offices that are located in remote, underserved communities and whose annual commissions are below $10,000, to ensure their continuing presence there; and allowing issuers operating under the 2001 Private Issuer Agreement to participate in advertising programs and engage in the sale of selected consumer products.

Call Centre

The Ministry operates a call centre to aid issuers in the processing of driver and vehicle transactions. Certain transactions actually require call-centre intervention to complete the transaction process. Approximately 75% of the calls received by the call centre relate to the processing of driver and vehicle transactions, and many of these are policy and procedural clarifications. The remaining calls pertain to backlogs and technical issues related to the Licensing and Control System. The centre employs 32 operators, and the annual cost of running it is approximately $2 million.

Even though annual call-centre volumes have nearly doubled since 1996, from 112,000 calls in that year to 215,000 calls in 2004, the Ministry does not have a process for training PIN staff on the most common call problems to reduce reliance on the call centre.

Many issuers, in response to our survey, stated that, although the response time of the call centre has improved significantly in recent years, they still often wait up to 30 minutes for a response. Often issuers have to ask their customers to wait while they themselves await a call-centre response. In our review of the call centre, we noted the following.

- Only 51% of calls answered were being answered within two minutes—the ministry target is 80%.
- The abandonment rate (that is, the rate at which callers hang up before being served) was 11%—the ministry target is 5%.
- For the period from January 2004 to November 2004, we estimated that call-centre operators were not available to take calls approximately 40% of the time, in that they were not logged on to the system. Four operators were not logged on to the system for over 60% of their available time.

Private issuers also complained that they do not always receive consistent answers from call-centre staff. We noted that call-centre staff have never been formally trained and are expected to learn on the job. In 2004, the Ministry did develop a policies-and-procedures manual specifically for the training of new operators; however, at the time of our review, training on the manual had yet to be initiated. The manual is currently being used simply as a reference source.

RECOMMENDATION

To help the Private Issuing Network provide better service to customers, the Ministry should:

- help reduce the extent to which issuers rely on the call centre by tracking the most common concerns or questions raised and developing procedures to train issuers on these matters; and
- ensure that, when the call centre is used, call-centre operators are properly trained and consistently available to take calls.

[illegible]

The Ministry agrees with the need to help the Private Issuing Network provide better service to customers.

The Ministry has developed a process by which private issuers or their office supervisors may escalate concerns regarding service from the call centre. This process will allow the call centre and Ministry to track, identify, and resolve issues of importance to individual private issuers and highlight areas that the Ministry needs to strengthen to provide better service to the network as a whole.

To promote better customer service, the Ministry will integrate the lessons learned into an orientation and training plan to be implemented in fall 2005. The Ministry is furthering its use of technology to track call-centre calls by subject to identify areas where procedures or information need to be clarified or focused training is required. Monitoring will take place to assess the impact of such clarifications and training in reducing reliance on the call centre and ensuring more consistent application of policies and procedures throughout the province.

The Ministry will continue to monitor the statistics on operator service to ensure that the time available to take calls is maximized and that other service-level targets, such as answering 80% of calls within two minutes, are achieved.

COMPLIANCE WITH REGULATIONS AND REQUIREMENTS

Audit Activity

Private issuers are monitored for compliance with government regulations and requirements through periodic audits. These audits are conducted both centrally by Business Review Analysts in the Ministry's Performance Management Office and on-site by ministry field-office staff known as Issuing Office Administrators. The audits focus on ensuring that appropriate documentation is on file for all transactions, customer identities are properly verified, completed documents are accurate, transactions are processed correctly, commissions are calculated accurately, cash and revenue are managed appropriately, and valuable stock is appropriately secured and managed.

Figure 6: Audit Coverage, 2000–04

Source of data: Ministry of Transportation

Year	Full Audits Completed	Coverage (%)
2000	71	25
2001	159	57
2002	3	1
2003	1	0.4
2004	19	7

For those offices participating in the Performance Management Program, the Ministry's Business Services Branch also administers an annual survey to gauge customers' satisfaction with the issuer's service delivery. In addition, the Ministry rates offices on their performance in a number of business areas as well as on their overall performance. As a final step, an action plan is created or updated based on all the information captured during the audit cycle.

We had the following concerns with respect to the audit process.

- The Ministry's standard is to complete a full audit for each of the 280 issuers at least annually. However, as detailed in Figure 6, the Ministry's audit coverage over the last five years has not met this standard; in fact, audit coverage has dropped dramatically in recent years.
- Although the Ministry has done a number of partial audits in recent years, 60 offices, representing about 20% of the PIN and collecting approximately $150 million in revenue annually, have not been subject to any type of audit

activity for three or more years. Seven offices have never been audited.

- Under ministry policy, new issuers must be subject to an on-site audit within six months of opening their office. Such an audit is important for ensuring that new issuers properly understand and have appropriately implemented all ministry policies and procedures. However, we found that these on-site audits had not taken place within this time frame for almost 80% of the 29 new offices opened over the last four years. For two offices the audits were conducted over two years after the offices first opened.

The Ministry's low audit coverage is due to a number of factors, each of which is discussed below.

- Four groups within the Ministry are involved directly or indirectly in PIN monitoring. These groups are the regional Issuing Office Administrators, the Performance Management Office, the Business Services Branch, and the Microfilm and Records Unit. The participation of all four groups is needed to complete a full audit for an office in the Performance Management Program. We found that these four areas within the Ministry have not been able to effectively co-ordinate their activities. For example, at the time of our audit, requests for the retrieval of microfilmed documents at the Microfilm and Records Unit had not been filled for nearly 48 weeks. Nearly 75% of the requests were for documents needed by the Performance Management Office to conduct its audit work. Failure to retrieve these documents in turn caused delays in the on-site audit visits of the regional Issuing Office Administrators, which typically follow the Performance Management Office audit work.
- In March 2002, the Licensing and Control System was down for nearly 10 weeks as a result of the Ontario Public Service labour disruption. During this time, PIN staff were paid on a per-diem basis to manually process approximately 2 million driver- and vehicle-licensing transactions at an additional cost to the Ministry of over $7 million. Once the labour disruption was over and the system was back up and running, both PIN and ministry staff needed to enter the manually processed transactions into the system. This took more than a year and a half and, because many of these transactions were entered out of their original sequence, resulted in approximately 240,000 further errors, which had to be resolved. All of the Ministry's audit resources were diverted to this exercise.
- The Ministry estimates that it takes on average between four and five days for all work to be completed during an on-site audit visit to an issuing office. The visit can take considerably longer when it involves travelling to a remote office or when audit findings are complex. At the time of our audit, there were only 10 Issuing Office Administrators responsible for monitoring the province's 280 issuers. In one region, one administrator was responsible for over 50 offices. We note that these staff have other duties in addition to their audit role, such as co-ordinating the opening and closing of offices in their region, training new issuers, and responding to inquiries from both issuers and the public.

We note that at the time of our audit, in recognition of the need to improve its monitoring practices, the Ministry, with the aid of Internal Audit, had developed and was considering the implementation of a new audit process and audit program with the following features:

- a revamped function for the Performance Management Office, giving the Office more of an oversight role than an audit role, whereby the Office would co-ordinate, create risk profiles, identify system-wide issues and required remedial action, train Issuing Office Administrators, and report to management on a quarterly basis;
- risk-based audit selection; and

- added discretion for the auditor to increase sample sizes when warranted.

RECOMMENDATION

To ensure that the Ministry adequately monitors the Private Issuing Network (PIN) for effective controls over such items as cash and stock and over such processes as revenue collection and to ensure that service is maintained without disruption, the Ministry should:

- increase the number of complete audits it conducts annually; and
- better co-ordinate the activities of the four groups involved in PIN monitoring.

MINISTRY RESPONSE

The Ministry recognizes the importance of adequately monitoring the Private Issuing Network.

The Ministry is committed to enhancing its audit and oversight presence. Since March 2005, 21 head-office and 49 on-site audits have been completed. In just five months, we have completed a total of 11 full audits—a significant improvement compared to a total of 20 full audits completed over the past two years. Seven of these 11 full audits were of offices with higher transaction volumes. The Ministry is also developing a plan to audit higher-risk offices located in the Greater Toronto Area and larger urban centres in an effort to deter and detect fraudulent activity within the Private Issuing Network.

The Ministry has successfully completed the pilot of a redesigned and enhanced audit methodology, which will be implemented over the winter of 2005/06 and will consolidate the oversight and auditing functions into one office and better utilize field staff. There will be a shift of resources from head office to the field, resulting in 11 field audit staff being added to the existing field complement. Under this structure, the Ministry will audit each office to establish a performance baseline and pursue a risk-based audit strategy.

Risk Management

Controls on Information System

One area that regular audits should address is non-compliant use of the Licensing and Control System. Non-compliant use includes sharing system passwords among issuer staff, which is prohibited by ministry policy, and, more seriously, manipulating the system to produce false records.

We noted in our visits to a sample of issuing offices that system passwords were being shared among staff. The risk of this activity is evidenced in a July 2004 report investigating a case of fraud. In this case, an employee who fraudulently charged over $2,000 on customer credit cards could not be identified because system passwords were shared among staff. The Ministry reimbursed customers for 25 fraudulent transactions charged to their credit cards and later recovered the funds from the issuing office.

In another case in January 2004, an employee at an issuing office was caught changing the photos, dates of birth, names, and addresses on current driver's licences. Bogus transactions were entered into the Licensing and Control System, and outside parties were mailed fraudulent licences incorporating the altered data. In February 2004, another two cases of fraudulent licences created at the same office came to the attention of ministry staff. Charges have been laid with respect to these cases. A ministry analysis of the event concluded that it is easy for staff to manipulate the current system to produce such false documents. At the time of our audit, the Ministry was developing an exception report that would flag transactions involving multiple changes to driver records for subsequent follow-up.

Controls on Stock

Issuers keep licence plates, plate stickers, temporary driver's licenses, vehicle permits, trip permits, and temporary Disabled Person Parking Permits as stock at their offices. All stock is ordered, inventoried in the Licensing and Control System, and allocated to PIN offices by ministry stock procurement and allocation officers. Each PIN office is allocated about a three-month supply of controlled stock items. In allocating stock, officers consider not only the requests for stock received from issuers but also previous shipments and issuer usage patterns. Allocated stock is shipped directly to issuers.

While ministry policy requires that issuing offices adequately safeguard this stock, we noted a wide variation in stock-safeguarding practices both during our visits to a sample of issuing offices and in the answers to our issuer survey. For example, some offices kept stock in separate, locked rooms away from the general work area; others kept their stock in the general work area, but in locked cabinets; yet others did not lock up stock at all.

We noted that, over the past four years, over 49,000 high-risk stock items have been reported missing, and over 7,000 have been reported stolen. Seventy percent of the missing stock was from six offices, and 75% of the stolen stock was from another three offices. At the time of our audit, the Ministry had neither investigated these stock discrepancies nor made attempts to recover on losses. Lost or stolen stock could be used for fraudulent or illegal purposes. In this regard, we note that Internal Audit, in its March 2004 report on stock management, concluded that "the Ministry is unable to reliably account for stock, making charge-backs to issuers difficult to support."

Controls on Revenue Collection and Commissions

Private issuers are required to deposit funds to the province's account at least daily and whenever they have accumulated $15,000 in cash. For each office, the Ministry matches bank deposits daily to the business transactions recorded in the Licensing and Control System through an automated reconciliation process. Cases of unmatched items are resolved by the Ministry through such means as bank inquiries, further review of the Licensing and Control System, review of supporting documents, or audits. At the time of our audit, we noted over 750 unmatched deposit items going back four years for amounts totalling $2.7 million. Some of these unmatched items were from offices that were no longer active. Debit- and credit-card transactions are also reconciled daily to the business transactions in the Licensing and Control System, and, while the dollar value of the unmatched items was not significant, we noted over 1,000 unmatched items.

The Ministry has identified the following ways in which issuers can, when processing transactions, prevent appropriate revenue amounts from flowing to the Ministry and inappropriately increase their compensation.

- When customers pay in cash for driver's licence renewals or replacements, issuers may collect a correct fee, record a fee adjustment for a lower amount in the system, and keep the difference.
- Issuers may charge commissions for unrequested and unjustifiable address changes—for example, changing "123 Anywhere St." to "123 Anywhere Street."
- Issuers may break down a transaction request from a customer into separate parts in order to charge commission for each. For example, if, in a driver's-licence-renewal transaction, the driver's address also needs to be changed, the issuer may process and charge for two transactions—the renewal and the address change—instead of one.

At the time of our audit, only for the latter activity had the Ministry developed an exception report, which logs multiple transactions for single drivers or vehicles. We found that this report was of limited usefulness, however. There are no flags for the first two types of data manipulation. Such flags could include, for example, exception reports produced for all adjustments to regular fees and for all address changes where the postal code has not changed.

We also noted that, as of December 31, 2004, 22,651 NSF (not-sufficient-funds) cheques, for amounts totalling $10.4 million, were still outstanding. We were specifically concerned that, because the Ministry's vehicle registration system is not cross-referenced with the driver-licensing system, an individual whose cheque for a vehicle-licensing transaction was NSF can still make driver-licensing transactions and vice versa.

We do acknowledge in this regard that a new ministry policy dating from January 2005 prohibits private issuers from accepting personal cheques—only certified cheques or business cheques preprinted with the name of the business are acceptable.

Other Compliance Issues

Certain types of transactions that are not processed electronically by the Licensing and Control System must be processed manually by issuing offices and are accordingly called "special handling" transactions. In the 2003/04 fiscal year, the PIN collected $59.7 million in revenue from these transactions, and the Ministry paid $965,000 in related commissions. Audits are to monitor, in particular, that staff do not understate revenue and overcharge commissions on these transactions. For nearly a third of the special handling transactions that we tested, we noted that issuers had not charged the correct commission—in most cases, higher commissions were charged than were earned.

Another area that regular audits could address is proper document management. For example, we noted the following in our visits to issuing offices.

- Ontario Motor Vehicle Industry Council certificates and dealer authorization letters were not current. Maintaining current dealer information helps prevent fraudulent vehicle transfers by individuals who misrepresent themselves as motor vehicle dealers and hence avoid the retail sales tax payments.
- Ministry forms were often not properly completed. For example, the customer's name or signature was often missing, the vehicle insurance information was sometimes not recorded, and there was sometimes no evidence of any identification being reviewed. In a few cases, while identification was noted as being reviewed, the review was not done in accordance with ministry guidelines.

RECOMMENDATION

To reduce the risk of staff and customers of the Private Issuing Network engaging in improper, non-compliant, and/or fraudulent activities with respect to driver and vehicle products and services, the Ministry should:

- produce and follow up on exception reports pertaining to the Licensing and Control System;
- enhance its controls over stock;
- follow up on a timely basis on discrepancies identified when reconciling issuer revenue with deposits; and
- expedite the recovery of funds from NSF cheques and consider cross-referencing its vehicle registration system with its driver-licensing system.

[illegible]

The Ministry agrees that the control and protection of personal information, revenue, and stock is of the utmost importance.

As of March 2005, the Licensing and Control System began producing a number of new exception reports (which call attention to, for example, driver fee adjustments, including the reason for the adjustment keyed in by the operator; multiple data element changes to a single record; and unauthorized access to information). The Ministry will work on further enhancing these reports (completion anticipated for December 2005) to allow for the timely identification of non-compliant or fraudulent activities.

The Ministry recognizes the importance of accounting for all stock provided to the Private Issuing Network, and it is reviewing options and resource requirements to ensure that these stock items are properly secured. The Ministry has focused its efforts identifying and correcting over 500,000 stock discrepancies that arose between May and December 2003. The Ministry is developing a risk-based audit framework, to be implemented in winter 2005/06, to more effectively address financial, stock, and Licensing and Control System–related issues within the Private Issuing Network. In addition, there are a number of tools the Ministry has provided private issuers to assist them with stock reconciliation.

Since the Auditor General's 2001 audit of the Road Safety Program, the Ministry has implemented an automated daily reconciliation program, which has significantly improved the timeliness of revenue reconciliation. As of May 31, 2005, over 700,000 deposit transactions representing $4 billion in revenue had gone through this system, and only approximately 1,000 remain unreconciled. The Ministry will ensure satisfactory resolution of the unreconciled items by December 31, 2005.

On January 1, 2005, the Ministry stopped accepting in-person personal cheques. Since then, the number of NSF cheques has dropped substantially. With a view to eradicating all future NSF cheques, the Ministry is reviewing its policy of accepting cheques from businesses and via the mail and will continue its efforts to collect all outstanding debts. This review will be completed in the fall/winter of 2005/06.

In order to mitigate the risk of fraudulent activities, the Ministry is currently working with the Ontario Motor Vehicle Licence Issuers Association to develop face-to-face training sessions for issuers, focusing on strengthening business integrity and customer fraud awareness, stock inventory management, protection of database and system integrity, and recognition of fraudulent documents. Expected implementation is winter 2005/06.

Selection of New Private Issuers

When the private sector first began delivering driver- and vehicle-licensing products, private issuers were retained by direct assignment (that is, without tendering or an alternative competitive process). In 1986, the government moved to a competitive tender process that included advertised requests for proposals and a standardized evaluation process. The Ministry further refined this process in November 2001.

The selection process is generally initiated upon the resignation, retirement, or death of a PIN operator. The annual turnover rate in the PIN is currently about 5%, or 15 private issuing offices each year. It typically takes approximately 27 weeks to select a new issuer and an additional 12 weeks to prepare a new office for opening.

In order to minimize service disruption, the Ministry appoints interim issuers during the selection process. In reviewing the 36 selections that had been completed since November 2001, we noted that, even factoring in the use of interim issuers, it took an average of four months to re-introduce service for an issuing office that had closed. In five cases the disruption in service lasted from six to 11 months, and in one case the service disruption lasted 22 months.

The first step in the selection process is a business-demand analysis to verify the continuing need for a replacement office or determine the need for a new office and its required size. The Ministry then issues a request for proposal via the province's electronic tendering system. Proposals received are subject to a three-stage evaluation. The first two stages cover such things as an applicant criminal reference check, a review of other references, a conflict-of-interest declaration, and an assessment of the applicant's financial, management, operations, administration, and customer service skills. The most heavily weighted part of the evaluation (75%) occurs at stage three. This involves an in-person presentation by and interview with the applicant, during which the Ministry further assesses the applicant's skills, discusses his or her proposed business plan, and poses problem-solving questions on various aspects of managing an issuing office.

Although ministry policy stipulates that an applicant must pass stage two of the evaluation process to be considered for stage three, we noted several cases where applicants, particularly those from northern offices, failed at stage two but were still advanced to stage three. We further noted that many of these applicants went on to win the issuer contract. The Ministry advised us that it has had to tailor its procurement process, while still adhering to government procurement practices, for offices in the north due to its inability to attract qualified applicants for these typically smaller offices.

We also noted that stage three's interview, worth 45% of the evaluation's total marks, was of questionable value in those cases where applicants were familiar with the questions, having answered them previously when submitting proposals to run other issuing offices. This gave such applicants an unfair advantage over others. We found two cases of applicants who were familiar with the stage-three interview questions from previously submitting proposals and whose stage-three interview marks on the repeated questions made the difference between their final evaluation standing and that of the next closest applicant.

RECOMMENDATION

To ensure that only competent and qualified bidders selected via a fair and equitable competitive process are awarded contracts to manage issuing offices, the Ministry should:

- review its policies and procedures to ensure that they can be applied in a consistent and effective manner; and
- ensure that the in-person presentation and interview portion of the selection process does not give repeat applicants an unfair advantage.

The Ministry should also expedite the appointment of interim issuers and selection of new issuers to minimize disruptions to customer service.

MINISTRY RESPONSE

The Ministry agrees with the Auditor that the procurement of private issuers needs to be fair, open, and transparent. It is committed to a process that follows the standard procurement directives and guidelines that apply to the entire Ontario Public Service.

The Ministry has completed a review of how best to establish interim service, given that each interim office is unique and requires different strategies to facilitate customer service continuity. In order to minimize customer service disruption while adhering to government procurement requirements, effective May 2004 the Ministry initiated an expedited selection process to identify an interim service provider to operate until the Ministry selects a new service provider. The Ministry may also redirect customers to neighbouring offices, if appropriate, instead of selecting an interim service provider.

The Ministry is currently reviewing its entire procurement process to identify ways that it can be streamlined and made more efficient. The Ministry will review all components of the evaluation model to mitigate the risk of repeat applicants having an unfair advantage over first-time applicants (by, for example, ensuring that the same questions are not repeated in subsequent interviews).

Respondents to smaller-issuing-office opportunities (one-to-two-terminal offices) are typically sole proprietors who may not have exposure to government procurement processes. For this reason, in June 2005, the Ministry developed a simpler request-for-proposals process for smaller-issuing-office opportunities in order to facilitate responses to such requests for proposals. The Ministry will continue to implement its private-issuer procurement process in strict compliance with government procurement requirements.

Through a new procurement process, the Ministry implemented a pilot project in August 2005 that will encourage market-driven compensation for the delivery of driver- and vehicle-licensing services. The new procurement process is skills-based and does not advantage existing issuers or repeat applicants. Proponents are required to submit a detailed business plan and outline the compensation they expect to receive for delivering driver and vehicle services. The opportunities included in this procurement have been widely advertised.

PERFORMANCE MEASUREMENT

The Ministry has initiated several means for gathering information to measure the performance of the Private Issuing Network. These include audit activity and, for 182 offices, the Performance Management Program. As mentioned previously, the audit process in the Performance Management Program includes, in addition to a desk audit and on-site audit visits, an annual customer survey, a scorecard summarizing audit results, and a ministry action plan to address areas needing improvement.

Customer Survey

In our review of the customer survey component of the Performance Management Program, we noted that the Ministry sent approximately 450,000 surveys—covering the period from October 2004 to February 2005—to issuing offices. The Ministry asked the offices to distribute the survey to a sample of customers who completed specific transactions. The Ministry expected that about 10%, or 45,000, of the distributed surveys would be returned, thus achieving the Ministry's goal of obtaining a statistically representative sample of completed surveys for each site and region and for the province as a whole. As of March 2005, this level of response had been received for only 88 of the 267 offices.

In leaving the distribution of the surveys up to the issuing offices, the Ministry had no assurance that the results are truly representative of the sample targeted—that is, that individuals in the sample population had equal chances of being surveyed. In this regard, we noted that a number of the issuers whom we visited and who responded to our survey indicated that—not surprisingly—they would not hand out a survey to a customer who appeared to be in a dissatisfied state. Issuing Office Administrators whom we interviewed also expressed concerns over the selection of respondents for the survey.

Comment Cards

Another source of performance information is written customer feedback on customer comment cards available at each PIN office. Over the last four years, the Ministry has received an average of

1,800 comment cards per year from private-issuer customers.

The Ministry tracks comment cards by date received, nature of the comment, action taken by ministry staff on any complaints, and the time taken to resolve complaints. Reports detailing comments received are to be sent monthly to the Ministry's regional offices to support their oversight of PIN offices. However, we noted that by early 2005 the last such report had been sent in August 2004. We also noted that the reports could be improved by including summary information of the customer comments received. Such information could identify the most recurrent issues, which the Ministry could address through training or follow-up communications across either the entire PIN or the particular regions or offices where certain problems are most acute.

RECOMMENDATION

To improve both its current methods of assessing issuer performance and public satisfaction with services received, the Ministry should:

- consider a different method of administering customer surveys that would ensure that all customers have an equal opportunity to participate; and
- summarize customer comments regularly to identify the most common concerns, share this information throughout the entire Private Issuing Network, and develop strategies to address these concerns.

[illegible]

We are committed to improving the quality of our services and to measuring customer satisfaction with respect to those services. The Ministry will pursue alternative methods for measuring satisfaction by October 2005.

In co-operation with the Ontario Motor Vehicle Licence Issuers Association, the Ministry will begin sharing comment-card data, customer service trends, and best practices with the Private Issuing Network on a quarterly basis, effective September 2005. The Ministry will also work with the Ontario Motor Vehicle Licence Issuers Association to develop a number of customer service measures, such as measuring the number of complaints annually with a view to reducing them each year. These measures will be developed by December 2005.

In June 2005, the Ministry began enhanced monthly reporting on customer-comment-card data and will use these data to develop strategies to address customer concerns.

OTHER MATTER

Vehicle Insurance

Automobile insurance is mandatory in Ontario. Accordingly, when renewing their vehicle licences drivers are required to provide the name of their insurance company and their policy number. However, neither the issuing office nor the Ministry verifies the information provided. We sampled over 70 recent new-vehicle registrations and renewals and attempted to verify the insurance information provided, with the following results.

- In one case, the insurance company did not exist.
- In three cases, the policy number was not valid.
- In one case, the vehicle was not registered under the policy number provided.
- In two cases, the policy had been cancelled shortly after the person renewed the licence.
- In seven cases, the vehicle was insured, but the wrong policy number had been provided.

Based on these results, we are concerned that there may be a significant number of drivers operating motor vehicles in the province without valid insurance. In this regard, we noted that in its annual road safety reports, the Ministry has reported that between 1993 and 2003 there have been over 48,000 uninsured vehicles involved in collisions in Ontario. Nearly 22,000 of these vehicles were involved in collisions resulting in injuries, and over 500 were involved in fatal collisions.

We also noted that, commencing April 4, 2005, the Ministry no longer requires the PIN to retain the application forms that contain this insurance information. This document is now only viewed by the issuing office and then returned to the driver. Under this new procedure, it may be more difficult to verify insurance validity at the time of the transaction.

Disabled Person Parking Permits

The Ministry issues Disabled Person Parking Permits to eligible applicants who are unable to walk unassisted without serious difficulty or danger to their health or safety. This condition must be certified by a medical practitioner. The Ministry processes approximately 75,000 new applications and 36,000 renewals annually. At the time of our audit, approximately 520,000 permits were in use. We noted from ministry documents that, over a recent one-year period, over 1,600 permits were seized by the Toronto Police Service, and charges were filed for their misuse. The program for issuing and renewing permits is currently under review.

During our audit, we noted that the Ministry did not adequately review the application forms received under this program. For example, less than 1% of the Disabled Person Parking Permit applications were verified with the physicians noted on the application. Instead, the Ministry performs a more limited review on 25% of applications by ensuring that the doctor noted is listed on the College of Physicians and Surgeons of Ontario's public Internet site. Since any individual can go to this same site and see the full list of registered physicians, in our view this Ministry procedure does not provide any assurance that the medical practitioner actually supported and signed the application.

RECOMMENDATION

To improve both road safety and the effectiveness of its driver and vehicle transactions, the Ministry should develop strategies for verifying both:

- insurance information on licence-renewal applications; and
- medical information on Disabled Person Parking Permit applications.

MINISTRY RESPONSE

The Ministry takes the issue of uninsured vehicles very seriously.

The upcoming Uninsured Vehicles Project is expected to, among other things, facilitate the verification of insurance information. Specifically, under the project, when a vehicle permit is renewed, the Ministry will automatically check online against the Insurance Bureau of Canada's database to verify vehicle insurance.

The Ministry agrees with the need to improve the application process for issuing parking permits for persons with disabilities and will initiate discussions with the medical community on developing strategies to improve verification of medical information on Disabled Person Parking Permit applications.

The Ministry is also taking other steps to limit misuse, including limiting medical practitioners to only certifying application within their scope of practice and introducing a more secure, tamper-resistant permit document to address counterfeiting and misuse.

Other changes the Ministry will introduce in fall 2005 include:

- improvements to the current eligibility criteria to ensure that only persons with measurable and observable mobility impairments receive a permit;

- improved business processes to expedite processing of applications and to enhance data management; and
- a new program name, "Accessible Parking Permit," consistent with government-wide direction for modernizing terminology relating to persons with disabilities.

Ministry of Transportation

Section 3.06 Driver Licensing

Background

The Ministry of Transportation (Ministry) has a mandate to provide Ontarians with a safe, efficient, and integrated transportation system. Its Road User Safety Division works to improve road safety and mobility, through the promotion and regulation of safe driving behaviour; and customer service and the accessibility of ministry products and services, including those relating to driver licensing. During the 2004/05 fiscal year, the Ministry spent $173 million on its Road User Safety Program, while its licensing and registration activities generated approximately $950 million in government revenues.

In Ontario, there are approximately 8.5 million licensed drivers, and that number is increasing by an estimated 300,000 drivers annually. Over 4.7 million driver's licences are issued or renewed every year. The Ministry's driver-safety–related responsibilities include setting road safety standards and monitoring and enforcing compliance with these standards; working to reduce unsafe driving behaviour, such as impaired or aggressive driving; licensing drivers; and maintaining driver information.

To carry out its responsibilities, the Ministry has contracted with some 280 private issuing offices that provide driver's licence and vehicle licence renewal and related services. In September 2003, the Ministry entered into an agreement with a private-sector company to conduct driver examinations, which include vision, knowledge, and road tests. As of the end of our audit, this company was operating 55 permanent and 37 temporary driver examination centres throughout the province.

The Ministry relies heavily on computer information systems to help it manage its responsibilities and serve its customers. The Ministry's Driver Licence System (Driver System), a legacy system that is over 30 years old, is used to maintain personal information and operating records on all Ontario drivers. In 2000, the Ministry commenced a five-year project to upgrade key components of the hardware and infrastructure supporting this Driver System that were considered obsolete. Up to the time of our audit, the Ministry had spent $108 million on this project, and we were informed that 80% of the originally planned work had been completed. In 2004 the Management Board of Cabinet reduced the budget for this project. The Ministry reduced the scope of the project and wound up other outstanding work.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had adequate systems and procedures in place to:

- ensure that only legitimate and safe drivers were licensed to drive in Ontario; and
- protect the integrity and confidentiality of drivers' personal information.

We identified audit criteria that would be used to address our audit objective. These were reviewed and accepted by senior ministry management. Our audit included examining documentation, analyzing information, interviewing ministry staff, and visiting five driver examination centres and five private issuing offices. In addition to our interviews and fieldwork, we employed a number of computer-assisted audit techniques to analyze driver's licence data and driver operating records.

Our audit was conducted in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We also reviewed the relevant recent reports and activities of the Ministry's Internal Audit Services Branch. A number of issues that had been identified by the Branch were helpful in determining our audit work.

Summary

We concluded that the Ministry needs to strengthen its systems and procedures if it is to ensure that only legitimate and safe drivers are licensed to drive in Ontario. The difficulties of maintaining a very old and complex computer information system and improving its ability to meet users' needs have undoubtedly contributed to the Ministry's challenges in this regard. We noted that:

- Some of the identification documents accepted when someone applies for a new driver's licence were of questionable reliability. For instance, such items as membership cards for wholesale warehouse clubs and employee or student cards without photos were accepted as one of the two required identification documents. Guidelines provided to front-line staff for validating identification documents were also found to have significant gaps.
- Procedures for identifying potentially fraudulent driver's licences need to be improved. We identified a number of individuals who appeared to be maintaining duplicate driver's licences on the Ministry's system.
- While a number of information-sharing arrangements are in place, licences from a number of jurisdictions were exchanged without transferring the driver's conviction record from or validating the driver's status in the other jurisdiction. In 2004, the Ministry exchanged 30,000 out-of-province licences (45% of all such licences it exchanged) without such record transfers. There is also a risk that Ontario residents who fail multiple road tests in Ontario can obtain licences through the out-of-province licence exchange agreements without proof that they have completed a successful road test, since other jurisdictions may have issued a licence with full driving privileges on presentation of an Ontario novice-class licence. For instance, one driver failed the Ontario road test 15 times but received an Ontario driver's licence by subsequently presenting a licence from another jurisdiction.
- The Administrative Driver's Licence Suspension Program (involving a 90-day immediate suspension) and the Ignition Interlock Program (in which a blood alcohol testing device is installed in the vehicle) appear to have been successful in

contributing to improved road safety as it relates to drinking and driving.

- The Driver System and ministry procedures did not ensure that all high-risk drivers were appropriately dealt with in a timely manner. For example, the Ministry was not complying with its own policy of following up on drivers involved in three or more collisions within a two-year period. As well, little was being done to deal with drivers who continued to drive with a suspended licence or whose licence was suspended multiple times. Over 25,500 drivers had their licence suspended at least three times in the 1995–2004 period, with one driver's licence having been suspended 18 times.
- Delays in scheduling demerit-point interviews resulted in the cancellation of over 14,000 interviews in 2002 and 2003, with the associated demerit points eventually expiring without being addressed. In addition, the use of the strongest sanction—immediate suspension—has been very infrequent and has dropped dramatically (from 1.2% in 2001 to 0.1% in 2004). As well, the rates of remedial actions arising from these interviews—such as requiring the driver to take a defensive-driving course or imposing a deferred suspension—varied significantly by region and between ministry counsellors.
- We found that the highest increase in the at-fault collision rates for seniors occurred as individuals moved from the 70–74 age group to the 75–79 age group. However, the Senior Driver Renewal Program does not begin until drivers reach the age of 80, even though most other Canadian provinces use 75 as their age criterion. The number of drivers over 75 years of age has doubled in the last 10 years.
- Driving-related criminal records for young offenders were maintained manually and were error-prone. For example, in our sample of 40 former young offenders who should by law have been given lifetime suspensions based on their driving records, the suspension had not been imposed for seven (17.5%) of them.

We also concluded that improvements were needed to protect the integrity and confidentiality of drivers' personal information:

- Although the Ministry relies on the driver records maintained in its Driver System to trigger disciplinary action when required, procedures for ensuring that all driving-related convictions were attributed to the responsible driver were insufficient. We noted extensive delays in following up on cases in which a conviction notice could not be matched to a driver record. Efforts made to resolve these cases were often inadequate, and unresolved files were destroyed without proper approval.
- Since our audit of road user safety in 2001, the Ministry has improved its timeliness in processing medical reports and is now meeting its related performance benchmark.
- Security administration processes to limit the number of privileged users, protect data transmission, and monitor system access were not effectively implemented.
- The Driver System did not always calculate demerit points accurately; accordingly, driver suspensions were not generated automatically as intended. Manual intervention was regularly needed to overcome this system malfunction, and this led to errors in updating driver records.
- The driver examination service provider was not complying with ministry security requirements when hiring staff who have access to confidential driver records, and the Ministry had not developed adequate policies and procedures to deal with prospective and existing employees with criminal records. We noted instances where staff had criminal records yet no action was taken, and, in 25% of the new-hire files we reviewed, the required criminal check had not been done.

OVERALL MINISTRY RESPONSE

The Ministry values the work of the Office of the Auditor General and is taking action on all of the Auditor's recommendations.

Road safety, quality customer service, effective stewardship of government revenues, and the protection of personal information are top priorities for this Ministry. Ensuring the integrity of the Ontario driver's licence is also a key priority for this Ministry.

The Ministry is committed to improving its business processes and making better use of technology to detect and deter attempts at identity theft.

Detailed Audit Observations

DRIVER'S LICENCE APPLICATION

In order to legally drive in Ontario, residents who are 16 years of age or over, as well as any newcomers to Ontario, must first obtain a driver's licence from the Ministry. These driver's licence applications can be processed at any of the driver examination centres located throughout the province. Applicants must pay the applicable licence fee and provide proof of their personal identity and date of birth.

An Ontario driver's licence has become a widely accepted piece of identification. For example, it is often used to obtain a Canadian passport, an Ontario Health Insurance Plan card, or a mortgage or line of credit from a financial institution. It is also commonly used as the required photo identification for boarding aircraft on domestic flights. Accordingly, proper authentication of an applicant's identity before issuing a driver's licence is essential for security purposes and to minimize fraudulent activities.

Identification Documents

The American Association of Motor Vehicle Administrators (AAMVA), an organization of U.S. state and Canadian provincial officials who administer and enforce motor vehicle laws, has developed suggested minimum standards for North American jurisdictions to promote identification security, interoperability, and reciprocity. As part of this work, AAMVA has established the "Canadian Acceptable Verifiable List" of 13 identification documents that are considered reliable and verifiable. Included on this list are such documents as international passports, citizenship cards, certificates of Indian status, driver's licences from other jurisdictions, birth certificates, marriage certificates, and permanent resident cards. The Canadian Council of Motor Transport Administrators (CCMTA) endorses AAMVA's Canadian Acceptable Verifiable List and associated procedures. Ontario is a member of both AAMVA and CCMTA.

In order to authenticate the personal identity of individuals applying for a driver's licence, the Ministry has developed a list of acceptable documents to assist driver examination centres. We compared the Ministry's list of acceptable identification documents to AAMVA's recommended list and to the accepted documents used by a number of other Canadian jurisdictions. In addition to accepting all the types of identification documents recommended by AAMVA, the Ministry also accepted 18 additional types of documents. As illustrated in Figure 1, Ontario accepted far more types of identification documents than any other Canadian jurisdiction we looked at. The list of documents accepted by Ontario includes such items as employee or student cards without photos and membership cards from wholesale warehouses or hobby clubs. Our concern with these latter forms of identification is that they may not be readily authenticated or reliable. The Ministry's Internal Audit Services Branch has also raised this concern.

In addition to the list of acceptable identification documents, the Ministry and the driver

Figure 1: Number of Identification Types Accepted by Different Jurisdictions

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	AAMVA Recommended Identification Types Accepted	Additional Identification Types Accepted
Alberta	6	10
British Columbia	6	11
Manitoba	8	8
Nova Scotia	7	6
Ontario	**13**	**18**
Quebec	11	1
Saskatchewan	9	12

examination service provider also provide driver examination centres with guidelines for reviewing and authenticating these documents. However, while the guidelines covered driver's licences and several identification cards issued by Canadian, American, and some international jurisdictions, there were a number of significant gaps. For example, no guidance was available for authenticating driver's licences from the People's Republic of China, India, Iran, and Sri Lanka, all of which currently rank among the top 10 countries of origin for people immigrating into Canada. Moreover, no authentication guides or resources were available for reviewing a number of other common identification documents accepted by the Ministry, such as birth certificates from other jurisdictions. Such guidelines could include photographs of both sides of a sample of these documents and a description of security features that staff could look for when reviewing such documents for authenticity.

As well, we found that the Ministry had no procedures for liaising with other provincial government offices or other levels of government to obtain lists of documents (such as birth certificates or passports) known to be lost, stolen, or fraudulent, so that such lists could be made available to the driver examination centres or the private issuing offices.

Duplicate Driver's Licences

The Ministry performs a "contender check" on all driver's licence applicants in an attempt to minimize the risk of issuing a duplicate driver's licence. This check involves searching the Driver System for any records that match the applicant's name, date of birth, and sex. However, since applicants' names often vary, sometimes significantly, on different identification documents, and the system does not have the capability to ensure that all names are entered in a standardized format, this check cannot be completely relied on.

We analyzed a sample of driver records—using expanded search criteria that included drivers' addresses as well as their names and dates of birth—and identified 280 pairs of potential duplicates. We subsequently compared the photos and signatures of these drivers and determined that 13 pairs appeared to be duplicates. The Ministry was following up on these cases at the time we completed our audit. For two of these cases, we noted that if the conviction and demerit points shown on the separate records had been combined, disciplinary action would have been taken against the drivers.

RECOMMENDATION

To better ensure that the personal identity of every driver's licence applicant is authentic, the Ministry should:

- review the list of acceptable identification documents and consider removing documents that are of questionable reliability;
- develop additional guidance to assist in the validation of identification documents commonly presented by driver's licence applicants; and
- expand the scope of the contender check to minimize the risk of issuing duplicate driver's licences.

MINISTRY RESPONSE

By fall/winter 2005/06, the Ministry will begin using a more limited, standardized list of identification documents that can be used for a first driver's licence registration. These identification requirements will be consistent with those established by the American Association of Motor Vehicle Administrators.

To ensure that identification documents used to obtain a driver's licence are authentic, the Ministry is actively investigating technological solutions that will confirm the authenticity of important source documents before a driver's licence is issued, including verification from the issuing authorities.

The Ministry will complete a review of the current contender check policy and procedures by fall 2006, with the goal of identifying potential additional improvements to deter identity theft.

Out-of-province Licence Exchange

New residents of Ontario who have a valid out-of-province driver's licence may drive for a maximum of 60 days in Ontario. To continue to drive after this period, these drivers must obtain an Ontario driver's licence. To facilitate this process, Ontario has entered into reciprocal agreements with all Canadian and U.S. jurisdictions, and with several other international jurisdictions, to exchange their drivers' licences for an Ontario licence with full driving privileges, provided that the driver has at least two years of driving experience within the last three years. There is no requirement for a knowledge or road test. On average, the Ministry exchanges over 70,000 out-of-province licences annually.

Ontario does have a process for recognizing the driving experience of drivers from jurisdictions with which it has no reciprocal agreement. However, such applicants must still complete Ontario's vision, knowledge, and road tests before a fully privileged driver's licence is issued to them.

Figure 2 outlines the jurisdictions with which Ontario has reciprocal agreements and summarizes additional procedures (discussed further below) for verifying the status and driving history of drivers coming from some of those jurisdictions.

Before granting a licence exchange for drivers from other provinces and territories and from most U.S. states, driver examination centres make an inquiry through a network known as the Interprovincial Record Exchange (IRE) to verify the current status of the applicant's licence in the jurisdiction that issued it. If the applicant's licence is suspended or invalid, either the licence exchange application is rejected or additional support is required before an exchange is approved. However, many foreign jurisdictions are not connected to the IRE; hence, the Ministry cannot determine whether the licence of a driver from such a jurisdiction is suspended or even valid at the time of the exchange application. For people coming from these jurisdictions, the issuance of an Ontario driver's licence is approved based solely on the applicant's having presented an out-of-province driver's licence that has not expired. Our analysis indicated that approximately 8,000 (11%) of the licences exchanged in 2004 fell into this category.

Twelve North American jurisdictions have also entered into a "Non-resident Violators Agreement" with Ontario. Under such an agreement, the records for all driving-related criminal convictions within the past 10 years, and for eight other types of driving offences committed by the driver within the past two years, are transferred from the original jurisdiction and form part of these drivers' Ontario driving records. These eight types of offences are considered the more serious violations of Ontario's *Highway Traffic Act*, such as failure to remain at the scene of an accident, careless driving, racing, exceeding the speed limit by 50 kilometres per hour

Figure 2: Out-of-province Licence Exchange Agreements and Procedures

Source of data: Ministry of Transportation

	Reciprocal Agreement	Inter-provincial Record Exchange	Non-resident Violators Agreement	MOU with Requirement for Validity Checks
other Canadian jurisdictions	✓	✓	✓ Except: • British Columbia • Nunavut Territory	
United States	✓	✓ Except: • Arizona • District of Columbia • Illinois • New Jersey • Vermont	✓ In place only with: • Michigan • New York	
Austria	✓			
France	✓			✓
Germany	✓			
Japan	✓			
Korea	✓			
Switzerland	✓			
United Kingdom	✓			✓
Canadian Forces-Europe	✓			

✓ = Existence of agreement or record exchange with Ontario

or more, failure to obey a stop sign or signal light, and failure to stop for a school bus. However, for all other reciprocal jurisdictions, there is no such transferral mechanism in place: drivers from those jurisdictions start with a "clean slate" in Ontario. Our data analysis indicated that almost 30,000 (45%) of the out-of-province licences exchanged in 2004 were done on this basis.

Ontario has also entered into a Memorandum of Understanding (MOU) on licence exchanges with both the United Kingdom and France. Under these memoranda, Ontario is required to notify the home jurisdiction of exchange applications and to obtain verification from them of the validity of the driver's licence presented. However, we noted that although these agreements were signed in early 2004 and over 6,000 driver's licences from these jurisdictions had been exchanged by the end of January 2005, the Ministry had not yet requested the verifications as per these agreements.

In addition, there is growing concern that Ontario residents who fail multiple road tests in Ontario may be able to circumvent Ontario's graduated licensing system by taking a "shortcut" path in another jurisdiction. Under the graduated licensing system, new drivers must pass a vision test, a knowledge test, and two road tests, and must have at least 20 months of driving experience, before becoming fully licensed. Our analysis indicated that from 1998 through 2004, over 2,100 drivers who failed their road test in Ontario subsequently obtained a full Ontario licence by exchanging a licence obtained in another jurisdiction within two to four years. Among this group of drivers, 367 (17%) had failed the road test in Ontario at least three times, and one had failed 15 times. Service provider staff raised concerns that many jurisdictions, because they do not have graduated licensing systems, may be inadvertently providing licences with full driving privileges on presentation of a novice-class Ontario licence, which can be obtained without a road test. Most commonly these applicants had obtained a licence in Quebec, Alberta, or Michigan. The Ministry had no evidence that individuals originally possessing a novice-class Ontario licence ever took or passed a road test in these other jurisdictions.

We also noted that despite a ministry policy requiring driver examination centre management to review all out-of-province licence exchanges before they are approved and processed, this management review was being done only for jurisdictions outside North America at one of the five centres we visited, and was being done inconsistently at two of the others. This lack of proper authorization increases the risk of licences' being exchanged improperly.

RECOMMENDATION

To ensure that only authorized and capable drivers with out-of-province licences obtain an Ontario driver's licence, the Ministry should:

- comply with existing exchange agreements and expand the scope of its out-of-province licence exchange program to include the sharing of serious conviction records with more jurisdictions;
- consider requesting proof of successful road test completion before approving a licence exchange for applicants who have failed multiple road tests in Ontario; and
- ensure that driver examination centre management complies with ministry policy and reviews all out-of-province licence exchange applications before an Ontario driver's license is issued.

MINISTRY RESPONSE

The Ministry shares the Auditor General's concern about the need to safeguard the integrity of the out-of-province driver's licence exchange process. The Ministry has a sound licence exchange system and has taken action to improve the security of its driver's licence, and further improvements to the driver's licence card will be made in the next 18 months.

In collaboration with other jurisdictions, the Ministry will explore the feasibility of exchanging serious conviction information where such information is not already exchanged. In fall 2005, the Ministry will begin exploring the feasibility of requiring a certified driver's licence abstract for all out-of-province exchanges.

The Ministry is currently reviewing the issue of verifying existing exchanged U.K. and France licences and expects to begin addressing this issue in late 2005. If the Ministry is advised that an exchanged licence is suspended, the Ontario licence will be revoked.

All future reciprocity agreements with jurisdictions outside of Canada and the United States, as well as those already signed with France and the United Kingdom, require that the Ministry verify the validity of the driver's licence presented for exchange. Verification will take place after the issuance of an Ontario licence. If the exchanged licence is found to be suspended or fraudulent, the Ontario licence will be cancelled.

Ontario's current policy with respect to exchanging out-of-province licences for individuals who have previously failed Ontario road tests addresses the concern that drivers may be circumventing Ontario's graduated licensing system. Novice drivers surrendering a licence with less than 24 months' experience from a reciprocating jurisdiction will be issued a novice-class licence. The driver will be expected to pass Ontario's G2 exit test to qualify for a full

G licence. Currently, most Canadian and many U.S. jurisdictions have a graduated driver's licence program. Current exchange agreements ensure that only equivalent classes of licence will be exchanged. Ontario recognizes the out-of-province licence as proof of successful completion of written and road tests.

Current policy requires that driver examination centre supervisors approve all out-of-province and out-of-country driver licence exchanges. Clarification of this policy will be sent to the driver examination centres' service provider in September 2005.

ROAD USER SAFETY

In 2000, along with all other Canadian provinces and territories, Ontario endorsed Road Safety Vision 2010, a national initiative of the Canadian Council of Motor Transport Administrators aimed at making Canada's roads the safest in the world. This initiative targets a 30% reduction in the average annual number of deaths and serious injuries resulting from traffic collisions for the years 2008 through 2010 as compared to 1996 through 2001.

Since 2000, the Ministry has proclaimed Ontario one of the safest jurisdictions in North America, with a driving-related fatality rate that has been declining since 1996. However, we noted that the fatality rate has been used by the Ministry as its sole safety performance measure for several years, and that other factors, such as seat belt usage and improved vehicle safety features (for example, air bags), also reduce the risk of fatalities. In this regard, we noted that in early 2004 the Management Board of Cabinet directed the Ministry to improve its performance measures—including those for road user safety—and to submit revised measures to the Management Board for review by fall 2004. However, we noted that the Ministry did not address this directive either in its subsequent 2004/05 Management Board submissions or in its 2005/06 Business Plan submission. Revised measures aimed at more effectively measuring the Ministry's direct contribution to improving road safety were still in draft form at the end of our audit.

RECOMMENDATION

To help improve the Ministry's ability to assess the effectiveness of its road user safety efforts, the Ministry should expand and enhance its performance measures for road user safety.

MINISTRY RESPONSE

The Ministry is committed to improving its ability to measure the effectiveness of its road user safety programs.

In 2004, the Ministry developed a number of internal performance measures to assess the effectiveness of its road user safety efforts. Some of these internal measures include:

- involvement of senior drivers over 80 years of age in fatal collisions;
- young drivers/riders (16–19 years) killed and seriously injured in collisions; and
- fatalities and injuries due to improper use and non-use of occupant protection systems (e.g., seat belts and car seats).

Early results suggest that these measures demonstrate the effectiveness of the programs targeted.

New regulations took effect on September 1, 2005 that extend the requirement to use child car seats, including booster seats, for young children; restrict the number of teenage passengers that a teenage driver can carry when driving; and further protect children getting on and off a school bus. Bill 169, introduced on February 21, 2005, will, if passed, increase penalties for speeding and provide enhanced protection for children and other pedestrians at crosswalks, as well as for construction workers.

All of these initiatives are expected to decrease fatalities and lead to positive results for the Ministry's performance measures. The Ministry continues to look at its performance measures and is exploring additional road user safety measures.

Demerit-point System

The demerit-point system provides the Ministry with an intervention tool to improve driver performance and behaviour. Drivers who are convicted of certain offences under the *Highway Traffic Act* have demerit points added to their driver records. The points remain on the driver's record for two years, after which they are removed. If a driver accumulates a designated number of demerit points within a two-year period, the Ministry's policy is to take various actions, as shown in Figure 3.

Demerit-point Interview Scheduling Delays

During our 2001 audit of the Road User Safety Program, we noted that the Ministry had a backlog of scheduled demerit-point interviews, with approximately one-third of the interviews being cancelled due to this backlog. In our current audit, we noted that this situation had not improved. For 2002 and 2003, approximately 14,000 interviews were never scheduled within the two-year demerit-point period: accordingly, the related demerit points expired and were removed from the drivers' records. As of December 2004, we noted that there were over 7,000 demerit-point interviews outstanding, and over 3,000 (48%) of them were outstanding beyond the ministry target of three months. Failure to take advantage of the opportunity to use intervention measures reduces the effectiveness of this program in improving driving behaviour.

Action Resulting from Demerit-point Interviews

Driver improvement counsellors have the authority to immediately suspend a driver's licence or impose various types of remedial action as a result of a demerit-point interview. Examples of such actions include a strong warning letter, a deferred suspension (whereby the driver's licence will be automatically suspended if the driver is convicted of another offence within a given time period), and requiring the driver to attend a defensive-driving course.

Although there is no policy with respect to how often interviews should lead to some type of action, as indicated in Figure 4, the rate of taking action has averaged about 10% over the last four years. In addition, our analysis indicated that the use of the strongest sanction—immediate licence suspension—was infrequent and had declined dramatically: as Figure 4 shows, the rate dropped from 1.2% in 2001 to 0.1% in 2004. According to the Ministry, the immediate-suspension sanction is being used less often because the Ministry believes other less severe remedial actions to be more effective in improving driver behaviour. However, the Ministry has not done any formal analysis—comparing subsequent driving records to the type of action taken—to support this view.

Figure 4 also indicates that while the decreased use of the immediate-suspension sanction was counterbalanced by increased use of remedial

Figure 3: Demerit-point Levels Requiring Ministry Action

Source of data: Ministry of Transportation

	Demerit Points	
Ministry Action	Novice Drivers	Full-licensed Drivers
driver is issued a warning letter	2	6
driver is required to attend an interview with a driver improvement counsellor	6	9
driver's licence is suspended		
for 30 days	–	15
for 60 days	9	–

Figure 4: Action Resulting from Demerit-point Interviews, 2001–2004

Source of data: Ministry of Transportation

	2001		2002		2003		2004	
	Immediate Suspension	Remedial Action	Immediate Suspension	Remedial Action	Immediate Suspension	Remedial Action	Immediate Suspension	Remedial Action
Region	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Central	0.9	20.5	1.7	20.8	0.4	6.2	0.1	4.2
Eastern	1.3	1.2	0.7	1.8	0.1	3.2	0.2	9.5
Northern	4.9	14.7	3.5	22.7	0.9	24.1	0.5	20.3
Southwestern	0.5	9.6	0.6	11.3	0.2	12.7	0.1	16.8
Total	**1.2**	**10.2**	**1.2**	**11.9**	**0.2**	**9.1**	**0.1**	**9.4**

actions in three of the Ministry's four regions, this counterbalancing did not occur in the Central Region, where the use of all types of remedial action dropped significantly from 2001 to 2004. This region had the lowest rate of remedial action taken in 2004.

In addition to varying across regions, the rate of imposing remedial action varied significantly by individual counsellor. While overall some form of remedial action was imposed for 9.3% of the interviews conducted in 2003 and 9.5% of those conducted in 2004, 38% of the counsellors imposed remedial action in less than 5% of their 2003 and 2004 demerit-point interviews. One counsellor imposed remedial action in only 16 (0.6%) of the 2,872 interviews conducted from 2002 through 2004.

We also noted that the Driver System did not have the capability of maintaining detailed records of remedial actions imposed or completed as part of a driver's record, nor could the system automatically generate a suspension for those drivers who had been given deferred suspensions and were convicted again within the period specified by the counsellor. Although such drivers were flagged in the system, Ministry staff had to manually monitor each case and take appropriate action when required.

Even though the Ministry often recommends defensive-driving and driver improvement courses as a remedial action, it does not maintain a list of recognized courses. As well, the Ministry has not reviewed or set standards for the duration of driver improvement courses or established standard content/curriculum for either the defensive-driving or the driver improvement course.

Use of Questionnaire

The Ministry uses driver questionnaires as an alternative to driver improvement interviews when driver improvement counsellors are not available on the scheduled interview day (for example, due to illness) and for out-of-province drivers. Ministry staff review the completed questionnaires to determine whether to schedule (or reschedule) a driver improvement interview. However, we noted that the Ministry also used questionnaires to clear interview backlogs. The use of this alternative reduced the likelihood of a suspension or other remedial action being imposed, as we noted that 99.9% of the 1,180 questionnaires processed in 2004 resulted in no further action being taken.

We also found follow-up procedures on outstanding questionnaires to be insufficient. In particular, we noted that of the 2,500 questionnaires the Central region had distributed in 2004 and January 2005, 17% had not been returned within the Ministry's targeted turnaround time, and the regional office had not followed up on these drivers.

RECOMMENDATION

To help achieve its objective of promoting safe driver behaviour, the Ministry should:

- ensure that it appropriately and promptly assesses drivers who have accumulated excessive demerit points;
- provide guidelines and training to driver improvement counsellors that would improve consistency in the assessment of drivers who have accumulated excessive demerit points and monitor counsellors in their implementation of the guidelines;
- measure the effectiveness of replacing immediate suspensions with less severe remedial action imposed by driver improvement counsellors;
- enhance the Driver System to maintain detailed remedial-action records and automatically suspend drivers when required;
- analyze the effectiveness of available defensive-driving and driver improvement courses and provide counsellors with a list of acceptable ones; and
- minimize the use of questionnaires, and follow up on outstanding questionnaires in a timely manner.

MINISTRY RESPONSE

The Ministry is committed to promoting safe driving behaviour. The demerit-point system is a key strategy for meeting that objective.

Although there were 3,000 interviews scheduled beyond the Ministry's target of 90 days at the time of the audit, this number has now been reduced to 1,077. Regions will continue to work towards achievement of the 90-day target by conducting group demerit-point interviews and by redeploying additional resources. The Ministry is committed to reducing the waiting list for demerit-point interviews to an acceptable level by fall 2005.

An assessment of core competencies related to the position of driver improvement counsellors will be completed by summer 2006. The results of this assessment will form a baseline for consistency. In addition, the Ministry will consider such remedial actions as:

- additional driver improvement counsellor training;
- business process improvements;
- the implementation of driver assessment guidelines for use by counsellors; and
- processes and tools for monitoring consistency in the application of the driver assessment guidelines by counsellors.

By January 2006, the Ministry will begin analyzing the effectiveness of imposing remedial actions versus immediate suspensions, with a view to having interim results by March 2007.

The Ministry will explore the feasibility of automating remedial actions. In the meantime, it will look into providing relevant staff with access to records of remedial actions imposed or completed by March 2006.

By summer 2006, the Ministry will develop standards for defensive-driving and driver improvement courses. The Ministry expects to have a listing of approved courses posted on its website by summer 2007.

The Ministry recognizes the value of in-person interviews. In April 2005, Central Region implemented a procedure to follow-up on outstanding interview questionnaires so that drivers are immediately sent a notice to attend an interview or group interview, depending on the nature of offences. The other regions are also now following this practice. Questionnaires will only be used for out-of-province drivers where an interview cannot take place and as an alternative to an interview when the driver

improvement counsellors are unavailable due to unplanned absences.

High-risk Drivers

The Canadian Council of Motor Transport Administrators identifies high-risk drivers as those who have been involved in three or more traffic convictions, driving-related criminal convictions, or vehicle collisions within a two-year period. The Ministry has various programs to deal with such drivers.

In recent years the Ministry has established two road user safety programs that target drinking drivers: the Administrative Driver's Licence Suspension Program (ADLS) and the Ignition Interlock Program. Under the ADLS, a driver who is stopped by police and either refuses to submit to a breathalyzer test or registers a blood alcohol level over the legal limit of 80 milligrams of alcohol per 100 millilitres of blood is immediately suspended for a 90-day period. Under the Ignition Interlock Program, drivers convicted of certain Criminal Code drinking-and-driving–related offences are required to install an ignition-locking device in their vehicle as a condition of licence reinstatement. These drivers must use the device to test their blood alcohol level each time they intend to drive, and, if the device registers a blood alcohol level of greater than 20 milligrams per 100 millilitres of blood, the vehicle cannot be started.

We analyzed the rates of drinking-and-driving–related collisions and convictions before and after the introduction of these programs and noted that these rates have been declining. Accordingly, it appears that these programs have been successful in contributing to improved road safety.

Ministry policy defines a collision repeater as a licensed driver involved in three or more collisions within a two-year period, with some indication of improper driver action in at least two of the collisions, including the most recent one. According to ministry policy, anyone who meets this definition must undergo a re-examination (consisting of a vision test, a knowledge test, and a road test) and an interview with a driver improvement counsellor. By analyzing the records of drivers who were found by the police to have been at fault in collisions (whether or not they were actually convicted of an offence in connection with the collision), we found 900 who met these criteria in 2003 and 2004. However, the actual practice being followed was to only take remedial action on drivers who were convicted of an offence connected with the collisions in question. Only 51 of the 900 drivers fell into that category; hence, the vast majority of collision repeaters were not being re-examined as required by ministry policy.

We also found that the Ministry did not have sufficient initiatives or programs for dealing with drivers who continued to drive while under suspension or who had multiple suspensions.

Under the *Highway Traffic Act*, when a driver is convicted of a driving-related offence under the Criminal Code of Canada, that person's licence must be suspended for a prescribed period—one year for a first conviction, three years for a second conviction, a lifetime suspension (with the possibility of applying for reinstatement after 10 years) for three convictions, and a permanent suspension for four or more convictions. Such Criminal Code convictions include causing death by criminal negligence while operating a motor vehicle, impaired driving with blood alcohol measured at over 80 milligrams per 100 millilitres of blood, and dangerous operation of a motor vehicle.

Between October 1998 and December 2004, the Ministry issued lifetime suspensions to over 3,200 drivers. However, our analysis found that at least 537 (16%) of them continued to drive, as we noted subsequent incidents where they were stopped by police on Ontario's roads. Further, 328 (10%) were subsequently convicted of additional driving-related

Criminal Code offences. We note that the Ministry does have a program for impounding vehicles driven by suspended drivers with driving-related Criminal Code convictions—however, since the driver of a vehicle is not necessarily the owner of the vehicle, this penalty does not always target the appropriate party. In this regard, Manitoba has initiated a program whereby local police are informed of such drivers so that they can be more closely monitored.

Our analysis also showed that a large number of drivers pose a safety risk on Ontario's roads in that they have had their licences suspended repeatedly because of accumulated demerit points. During the 1995–2004 period, we noted that of the over 197,500 drivers whose licences were suspended for driving-related offences under the *Highway Traffic Act*, approximately 14,900 of these drivers had had their licence suspended at least three times. One individual's licence had been suspended 18 times. The Ministry did not have any additional program targeting these high-risk drivers beyond the standard suspension period and payment of the licence reinstatement fee.

RECOMMENDATION

To help reduce the risk of motor vehicle collisions, the Ministry should:

- as per ministry policy, identify and re-examine all drivers who, in the past two years, have had three or more collisions, of which at least two, including the last one, involve improper driver behaviour; and
- identify and consider, in consultation with stakeholders in the enforcement community, additional remedial action or sanctions for high-risk drivers not currently targeted under a ministry program, such as individuals who drive while under suspension or who are suspended multiple times.

MINISTRY RESPONSE

The Ministry has refined its policy and relies on court convictions as the best determinant of improper driving behaviour and for identifying drivers who are most likely to be a threat to other road users.

The problem with drivers driving while under suspension is not confined to Ontario but is North America–wide. The Ministry is actively involved in research and is working in partnership with other North American jurisdictions to address this serious issue.

The Ministry is supporting MADD Canada's follow-up research study on the involvement of suspended drivers in collisions. This study will be underway by fall 2005.

The Ministry is participating as a member of a working group of the American Association of Motor Vehicle Administrators on suspended/revoked licences. This working group is examining the level and nature of involvement of suspended drivers/drivers with revoked licences in motor vehicle collisions and is expected to report its initial research findings by fall 2006. The working group will then consider possible countermeasures for dealing with such drivers who continue to drive.

The introduction of Access Enforcement Solutions (AES) in February 2004 has greatly improved the safety of both Ontario's law enforcement community and the public. By linking the Ontario Provincial Police and select municipal police agencies directly to ministry databases, AES provides fast access to comprehensive information on any Ontario driver or vehicle. Now, enforcement officers can quickly identify suspended drivers, stolen vehicles, and more, allowing them to remove more unsafe drivers and unsafe and stolen vehicles from the road.

Senior Drivers

According to Statistics Canada, Ontario's population of seniors of age 75 or older increased by 41%—from 501,700 to 707,500—between 1993 and 2003. The number of Ontario drivers over 75 years of age has been growing even more dramatically, from 211,000 in 1993 to 427,000 in 2003—a 102% increase.

Licence Renewal for Seniors

Until 1996, the Ministry's Senior Driver Renewal Program required all seniors aged 80 and over who wished to continue driving to retake their road test every two years. In 1996, the Ministry eliminated this road-test requirement. Under the current program, all senior drivers must take biannual vision and knowledge tests and attend a 90-minute group education session, but only seniors who have been convicted of a driving-related offence in the previous two years are required to take a road test. In 2004, this amounted to less than 5% of Ontario's senior drivers.

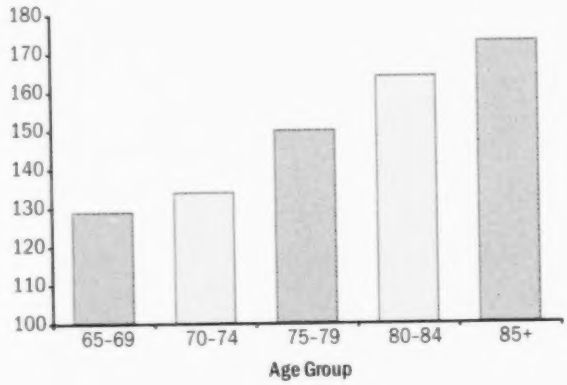
In our *2001 Annual Report*, we recommended that the Ministry assess the effectiveness of this new program in identifying and appropriately dealing with potentially unsafe drivers. The Ministry has since analyzed the rate of seniors' involvement in collisions where death or injury has occurred, and has found that the rate has been declining since the program was introduced.

However, we noted that most other Canadian jurisdictions start their senior drivers' program when a driver reaches age 75. We therefore analyzed driver records from 2000 through 2003 to determine if there was evidence that driver performance deteriorated before age 80. Our analysis focused on collisions where drivers were found to be at fault. As Figure 5 illustrates, senior drivers have the lowest rate of at-fault collisions when they are in the 65–69 age group. From that point on, the at-fault collision rate increases. The most substantial increase in the at-fault collision rate occurs as seniors move from the 70–74 age group to the 75–79 age group, with the rate for the latter group being 12% higher than that for the former. This fact supports the practice of most other provinces of choosing 75 as the most appropriate age for beginning a senior-driver program aimed at mitigating road safety risks.

As mentioned earlier, in order to renew their licence, every two years, drivers aged 80 and over must attend a 90-minute group education session aimed at improving their awareness of potential traffic hazards and helping them drive more defensively. However, we found that the training materials provided at this session were out of date: they had not been revised since the program began in 1996. In this regard, we noted that the Ministry had hired a consulting firm in 2003 to update these materials, attempt to make them more senior-friendly, and incorporate enhanced features such as take-home pamphlets and improved visual presentations. Although ministry staff were trained by mid-2004 on these new materials, at the time of our audit they had not been incorporated into the group education sessions because of budgetary issues.

Figure 5: Average Annual "At-fault" Collision Rate per 10,000 Active Drivers, 2001–2003

Source of data: Ministry of Transportation



Medical Requirement

Recent research has established a close relationship between certain types of medical conditions and collision involvement. For instance, studies have found that older drivers with heart disease, lung disease, or diabetes are twice as likely, and those with cognitive impairments are eight times as likely, to be involved in an at-fault collision as those without these conditions. While we noted that other jurisdictions (such as British Columbia, Alberta, and Quebec) require, as part of their senior renewal program, a medical assessment for early signals of such conditions or other health problems that may affect a senior's driving capability, the Ontario program does not.

RECOMMENDATION

To help ensure that only safe drivers retain their driving privileges, the Ministry should reassess the age and medical requirements for renewal of senior drivers' licences, taking into consideration the practices of other provinces, and update its group education session materials.

MINISTRY RESPONSE

The Ministry is actively working to find better ways of identifying senior drivers who are at risk, while allowing safe drivers of all ages to continue driving.

Ontario's Senior Driver Renewal Program is a success. Group education sessions were introduced in 1996. The average fatal-collision rate for drivers aged 80 and over declined by 28.8% in the periods from 1988 to 1995 and 1997 to 1999. More recent data indicate that by 2002, the rate was 40% lower than the average rate from 1988 to 1995.

There are currently no validated, evidence-based tests available enabling doctors to test cognitive abilities that indicate at-risk driving performance among seniors. Accordingly, Ontario's Senior Driver Renewal Program serves as one element in a slate of programs designed to detect and remove higher-risk drivers from the road. This slate of programs includes the demerit-point program, mandatory and discretionary reporting of medical conditions, and the collision program for drivers over 70 years of age.

In addition, Ontario is part of a national effort (CanDRIVE) to develop a screening tool that will allow doctors and other health professionals to identify older persons with health-related conditions that make them unsafe to drive. At the same time, the tool will be assessed to see if people other than health professionals, such as licensing staff, can use it to screen at-risk older drivers for referral.

Group education session materials were updated and have been in use since July 2005.

Young Offenders

For ministry purposes, a young offender is defined as a person under the age of 18 who is convicted of a driving-related offence under the Criminal Code of Canada. Federal legislation restricts access to criminal records related to young offenders in order to protect their identity.

To help keep these records confidential, the Ministry maintains all young offenders' driver records in manual files. We found that this practice contributed to a high rate of processing errors, particularly when staff must later access both these manual records and the electronically based records, which are initiated once these drivers reach age 18, in order to determine a course of action with respect to a particular driver. For instance:

- From a sample of 40 former young offenders with three or more driving-related Criminal Code convictions recorded in either the manual files or the electronic system, we found that at least seven (17.5%) should have been given a lifetime driving suspension under the *Highway Traffic Act*, but had not.

- In another sample of 15 young offenders' manual records, we found that 10 (67%) of these records had date-related errors that either led to an inappropriate suspension being entered into the Driver System, or, conversely, could delay the commencement of appropriate disciplinary action.

RECOMMENDATION

To ensure that the required legislative sanctions are applied consistently to all drivers, the Ministry should develop an automated database that maintains complete young-offender driver records.

MINISTRY RESPONSE

The Ministry agrees that all legislative sanctions should be applied to the appropriate driver.

In spring 2006, the Ministry will establish an automated system for both storage and tracking of young-offender files.

DRIVER'S LICENCE CARDS

Due to the widespread acceptance of the driver's licence as a form of identification and the potential impact of using a fraudulent licence, maintaining the security of driver's licence cards is critical to safeguarding the personal information stored on the card and to minimizing the risk of having the card fraudulently reproduced. As stated by the American Association of Motor Vehicle Administrators (AAMVA), "The driver's licence is one of the most commonly used, and most commonly counterfeited, forms of identification in North America."

In this regard, AAMVA has developed standards, specifications, and recommendations designed to enhance driver's licence administration and identification security. Although the Ontario driver's licence meets all of AAMVA's minimum standards, and the Ministry has enhanced its security features by including ultraviolet ink, additional micro-text printing, and holographic images on all new licences issued since December 2004, a number of additional security features recommended by AAMVA have yet to be incorporated into Ontario's licences. These include the use of laser printing and enhanced bar-code technology that would make it more difficult to create forged or counterfeit licences.

We understand that the Ministry is currently in the process of redesigning Ontario's driver's licences and plans to incorporate some of these more-advanced security features during this exercise.

RECOMMENDATION

To safeguard the driver's licence cards and the personal information stored within them, the Ministry should consider including additional technological security features as part of its licence card redesign project.

MINISTRY RESPONSE

Identity theft is a worldwide problem. The Ministry recently introduced legislation that, if passed, would make it an offence to possess or display an imitation driver's licence and would increase fines for possessing or displaying a fictitious, imitation, altered, or fraudulently obtained driver's licence from $5,000 to $50,000.

By the end of 2006, the Ministry expects to have an improved driver's licence in place that uses modern, state-of-the-art production and has security features that exceed the Driver's Licence/Identification Security Framework established by the American Association of

Motor Vehicle Administrators. This framework identifies numerous security features, including a fine-line background, 2-D bar code, micro and rainbow printing, secondary photo and signature images, ultraviolet features, and more. Ontario is in the process of identifying the features and combination of features that will be needed. These features will be included in a request for proposals that is to be issued in late 2005.

DRIVER RECORDS

The Ministry maintains records for each licensed driver in Ontario. This driver record, which is stored in the Driver System, includes both personal information (such as the driver's name, date of birth, and address) and the driver's operating record (which consists of a history of the driver's licensing transactions—such as applications, renewals, and information changes—and an "incident history" that lists reported motor vehicle collisions, convictions, or licence suspensions). The completeness, accuracy, and validity of this record is important in ensuring that the Ministry makes appropriate licensing decisions with respect to each driver and takes disciplinary action when required.

Personal Information

Ministry policy requires that the personal data maintained for each driver include a full given name and a residential address. However, we found that the Driver System did not have the capability to ensure that this policy was complied with. Front-counter staff were therefore able to, and often did, process transactions without ensuring that all required information was obtained and entered into the driver's record. Our computer data extraction testing indicated that full given names had not been provided for over 9,600 drivers, and 4,200 records did not include a valid or complete residential address. As well, we noted that proof of residency was not required when applying for a licence or when drivers requested an address change.

When a licensed driver dies, the person's next of kin may return the driver's licence card to the Ministry or otherwise inform it of the driver's death. However, if the Ministry is not so informed, an active driver record continues to be maintained. In this regard, we noted that the Ministry of Health and Long-Term Care receives regular updates of registered deaths from the Ontario Registrar General, and uses these updates to cancel deceased persons' eligibility under the Ontario Health Insurance Plan. Since the information is available and already being shared, it should be relatively simple and inexpensive for the Ministry of Transportation to obtain such updates.

Operating Records

The Ministry relies heavily on drivers' operating records to evaluate driver behaviour and to initiate remedial action when appropriate. However, backlogs and delays in entering incidents into these records affect the timeliness and appropriateness of these ministry actions.

When a driver is convicted of a motor vehicle–related offence, the Ministry of the Attorney General transfers this conviction record to the Ministry of Transportation so that the driver's operating record can be updated. While this update is for the most part automated, we noted that there were over 7,100 transferred conviction records for which the drivers' records had not been updated because of difficulties matching the information transferred with the Ministry of Transportation's driver records. It should be noted that all of these convictions, when input, would trigger additions to the driver's demerit-point balance—and therefore possible warning letters, driver improvement interviews, or suspensions as per ministry regulations.

We noted an even larger backlog in the processing of minor convictions, such as exceeding the speed limit by less than 15 kilometres per hour: over 57,000 such convictions had not yet been attributed to the responsible driver. Inadequate efforts were being made to resolve these unmatched cases, such that many convictions were never entered into the driver's record. We also noted that unmatched-conviction files were being destroyed without proper authorization or documentation.

The Driver System maintains records for all collisions, convictions, and suspensions for each driver, accumulates his or her demerit points, and automatically suspends drivers when they reach the appropriate thresholds. However, we found that the system incorrectly calculated drivers' demerit points and accordingly failed to suspend licences appropriately in certain situations. These included court-ordered suspensions, convictions related to driving while under suspension, and situations involving multiple convictions for the same incident. We also noted some instances where, conversely, drivers had been inappropriately suspended. In some of these situations, the Ministry manually intervened to make corrections, while in other situations, the Ministry was not aware of the errors until we brought them to its attention.

Licensing Services

The private issuing offices provide licensing services and process transactions on the Ministry's behalf. These transactions include driver's licence renewals, licence replacements, and changes to driver information. Subsequent to processing, transaction documentation is forwarded to the Ministry for microfilming, after which the original documents are destroyed. Our review of these processes indicated that the Ministry needed to improve its procedures to ensure that all processed transactions are valid, complete, and accurate.

Private issuing offices are not required to reconcile daily transactions with supporting documents, and, given the volume of transactions processed, the Ministry does not check documents received to ensure that all transactions processed were valid. We reviewed transactions processed by the private issuing offices we visited and found discrepancies for eight of the 19 business days we reviewed. These discrepancies included missing supporting documents or lack of evidence that the applicant had presented proper identification.

Medical Reports

A driver's licence can be suspended if the driver cannot meet a minimum standard of medical fitness for operating a motor vehicle. Medical practitioners and optometrists are required to report to the Ministry any individual who, in their opinion, has a condition that could make him or her a dangerous driver. In this regard, we noted improvement since our last audit in 2001 in the timeliness with which the Ministry processes medical reports received, with the Ministry now meeting its performance benchmark.

After reviewing medical reports received or conditions reported by drivers, the Ministry comes to a determination of whether the driver is capable of continuing to drive or should instead have his or her driver's licence suspended. Information concerning each case—including the diagnosis and the result of the assessment by the Ministry's medical review staff—is entered into the computerized Medical Review System. However, because this system has no automatic interface with the Driver System, all of these decisions must then be re-entered into the Driver System. This duplicate effort needs to be done for approximately 116,000 medical results annually, which impairs the efficiency of the medical review program and raises the risk of processing errors.

When drivers renew their licences and indicate that they have medical condition(s) that may affect their driving ability, private issuing offices are required to forward all related documents separately to the Ministry's medical review office. However, four of the five private issuing offices we visited were in some cases not separately forwarding these documents. In such cases, the Ministry would be unaware of the medical condition, and accordingly would be unable to conduct a review and take any required action.

RECOMMENDATION

To ensure the accuracy and completeness of drivers' personal information and operating records, the Ministry should:

- improve the validation procedures of the Driver System to ensure that complete names and addresses are on file for all drivers in accordance with ministry policy;
- co-ordinate with the Ontario Registrar General to obtain regular updates on deceased persons so that their driver's licences can be cancelled on a timely basis;
- review the process for attributing convictions to the responsible drivers to ensure that all convictions are recorded in driver records on a timely basis;
- review the Driver System's computerized demerit-point calculation process to ensure that drivers are suspended according to regulation;
- consider implementing a reconciliation process to ensure that appropriate documentation is on file to support all driver-licensing transactions;
- assess the feasibility of an automatic system interface to update driver records based on medical review results; and
- ensure that private issuing offices properly submit all documents required for assessing drivers' medical conditions.

MINISTRY RESPONSE

The Ministry recognizes the importance of maintaining database integrity in terms of the accuracy of drivers' identity information and driving history and agrees that improvements are needed to protect the integrity and confidentiality of personal information.

The Ministry updated its validation procedures in 2002 to ensure that driver's licence record information includes a full registrant name and address. While the Ministry appreciates the Auditor General's concerns, the Ministry believes that records with incomplete information will be brought up to date at the time of renewal. The Ministry will closely monitor adherence to this process and is committed to taking additional action on this issue, if required.

The Ministry shares the Auditor General's concern about the need to obtain information about deceased persons. In fall 2005, the Ministry expects to be able to obtain death information from the Ministry of Government Services such that when a licensed driver dies, the Ministry's driver's licence database will automatically be updated and the licence will be cancelled.

The Ministry of the Attorney General provides the Ministry with conviction information through the Integrated Court Offences Network. The Ministry is responsible for recording convictions on drivers' records; errors in the incoming data may prevent the recording of some convictions in a timely manner while staff attempt to resolve the errors. The Ministry is working with the Ministry of the Attorney General, the police, and the courts to ensure the accuracy of the data at the outset. As a first step, in July 2005, the Ministry introduced the automation of convictions associated with commercial vehicles and will endeavour to have further system enhancements developed over the winter of 2005/06.

The Ministry has reviewed the driver records database. Driver records have been corrected, and programming changes are underway. The Ministry will continue monitoring the database to ensure that programming problems are resolved and additional errors do not occur. It is anticipated that all programming problems will be resolved by December 2005.

The Ministry will develop a reconciliation process for the private issuers and the driver examination service provider to ensure that necessary documents have been obtained and viewed with transactions processed for each day. The development of this new policy will be completed by June 2006.

The Ministry is presently working to create, by December 2005, an interface between the medical imaging system and the driver system to validate that driver records have been updated with suspension/reinstatement information before a file is closed.

A new risk-based audit process for the private issuing network (PIN) will be implemented during winter 2005/06. It will enable the Ministry to better monitor PIN compliance with policies and procedures, including those that relate to the submission of documentation to support driver-licensing transactions and the assessment of a driver's medical condition. In addition, the Ministry's new oversight and audit office, expected to be in place by the end of this fiscal year, will have an opportunity to identify and share best practices and areas of improvement with the network.

Protection of Driver Records

Driver Examination Centre Personnel

As part of the Ministry's agreement with the private service provider that operates the driver examination centres, background checks must be obtained on all employees who deliver driver examination services. The service provider is also required to notify the Ministry immediately if the results of these checks indicate that an employee or a prospective employee has a criminal record.

We reviewed the personnel files for 100 driver examination centre employees and found that the required background checks had not been completed for 25 of them, thereby exposing the Ministry to undue risk. We further noted that the 75 completed background checks indicated that four employees had criminal records, but these results appeared to have been ignored. Management at both the Ministry and the driver examination service provider indicated that they were unaware of these criminal records until we brought them to their attention.

We also noted four cases from 2003 where the service provider had properly notified the Ministry of employees who were found to have criminal records, but at the time of our audit the Ministry had not provided guidance to the driver examination service provider as to what action should be taken with respect to these and any future prospective employees with criminal records.

Security of the Driver System

The Driver System consists of a large mainframe system and several client-server–based applications. The main purpose of this system is to create and maintain driving records for all Ontario drivers. System users include the driver examination centres, private issuing offices, and ministry and other government employees (such as the Ontario Provincial Police). Due to the scale and complexity of the Driver System, we focused our security review on the security administration procedures for the mainframe system and the security of the government's network. We concluded that there were several areas where security could be improved:

- Duties and responsibilities were not always segregated adequately. Some individuals were assigned multiple job functions that granted them incompatible system rights, thereby increasing the risk of inappropriate use of driver information.
- The Ministry used GONET, the Government of Ontario's wide-area network, to transmit driver information in unencrypted clear text. This practice exposes confidential driver records to potential unauthorized access and tampering.
- System access and user profiles were not adequately monitored, increasing the risk that unauthorized individuals could gain inappropriate access to the system and thus to driver information. We found that:
    - an excessive number of individuals had been assigned system security administrator privileges;
    - system access and security violation reports were not being reviewed regularly;
    - dormant user accounts were not being removed from the system promptly;
    - user accounts with generic user names (that is, with no specific individual being accountable for their use) had been created;
    - user profiles, which control system access, were not being updated in a timely manner; and
    - end-user system access controls were not being properly maintained.

RECOMMENDATION

To help ensure that confidential information in the Driver System is adequately protected against unauthorized access and data tampering, the Ministry should:

- establish guidelines and procedures to ensure that the driver examination service provider conducts appropriate security checks before hiring staff who will have access to confidential driver records;
- explore cryptography and other approaches to securing confidential data transmitted over the wide-area network;
- restrict and segregate security administration duties so that individuals are not assigned excessive system rights; and
- implement regular system access reviews and more rigorous controls over user accounts and profiles.

MINISTRY RESPONSE

The Ministry acknowledges the need to better protect its driver records against unauthorized access and data tampering.

The agreement between the Ministry and the driver examination service provider stipulates that criminal-record and security checks must be completed for employees. Upon learning of the Auditor General's findings, the Ministry immediately requested the driver examination service provider to undertake a comprehensive review of all employee records. The service provider has confirmed that a complete file review for all employees is underway and that discrepancies will be resolved by December 2005.

The Ministry will implement cyclical criminal-record and security-check procedures by the end of 2005 that will require the driver examination service provider to certify every three months that all required security-check and criminal-record information for all new employees is complete and on file.

The Ministry is conducting a request for information (RFI) to determine the most cost-effective solution that balances optimal encryption, protection, and cost. Both short- and long-term solutions will be determined, including timelines and deliverables following the assessment of the RFI responses.

The Ministry will review system access rights and, where possible, segregate the duties and responsibilities of security administrators from system users by December 2005.

The Ministry recognizes the need for more rigorous controls over user accounts and profiles. Security violation reports have been reformatted to facilitate improved monitoring, and the Ministry will begin auditing this report and taking necessary steps to identify and address abuse by December 2005.

Ministry of Education

Section 3.07

English as a Second Language and English Literacy Development

Background

Since 2000, Ontario has received an average of approximately 128,000 immigrants each year. About 57,000 of them speak little or no English or French, and as illustrated in Figure 1, about 17,000 of them are of school age.

Most immigrants to Ontario settle in the Greater Toronto Area or other large urban centres. As a result, 10 of the province's 60 English school boards account for 86% of the grants provided by the Ministry of Education (Ministry) for English as a Second Language (ESL) and English Literacy Development (ELD), as illustrated in Figure 2.

Ministry curriculum documents describe ESL students as those who enter Ontario schools with little or no previous knowledge of English but who have received schooling in their home countries and have age-appropriate literacy skills in their first language. ESL students in junior grades may also be Canadian-born children with limited proficiency in English because they are from homes and/or neighbourhoods where English is not widely used.

The curriculum documents describe ELD students as those who not only have little knowledge of English but also enter Ontario schools with significant gaps in their education because they have had only limited access to schooling in their home countries. Unlike their ESL counterparts, ELD students do not have age-appropriate literacy skills in their first language.

The Ministry's overall goals for ESL/ELD programs are to assist students in developing the English literacy skills they require to achieve success at school, in postsecondary education, and in the workplace on an equal basis with their peers whose first language is English. While school boards are responsible for designing and implementing the programs and services needed to achieve these goals, the Ministry is ultimately accountable for the quality of the education system.

ESL and ELD grants to school boards have risen from $154 million to $225 million over the last five years, as illustrated in Figure 3.

The Ministry provides school boards with specific funding for ESL/ELD services but does not require them to actually spend the grants on delivering ESL/ELD services. Boards have the right to reallocate the funds to other programs.

Figure 1: Non-English/French-speaking Immigrants (Permanent Residents) to Ontario, 2000–04

Source of data: Citizenship and Immigration Canada

Age	2000	2001	2002	2003	2004	5-year Average
0–4 years	7,965	9,741	8,993	7,471	7,447	8,323
5–13 years (school age)	12,581	13,507	12,609	10,039	9,583	11,664
14–19 years (school age)	5,728	6,060	5,705	4,803	4,569	5,373
over 19 years	31,185	36,509	34,200	30,788	24,671	31,471
Total	**57,459**	**65,817**	**61,507**	**53,101**	**46,270**	**56,831**

Audit Objective and Scope

The objective of our audit of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) grants to school boards was to assess whether the Ministry had adequate procedures in place to:

- ensure that students whose first language is not English are provided with the programs and services they require in a cost-effective manner; and
- measure and report on the effectiveness of ESL/ELD programs and, where necessary, ensure that appropriate corrective action is implemented.

Our audit was conducted in accordance with professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and procedures as we considered necessary in the circumstances. The criteria used to conclude on our audit objective were agreed to by senior Ministry management.

Most of our work was conducted at the Dufferin-Peel Catholic District School Board, the Toronto District School Board, and the York Region District School Board. We interviewed appropriate ministry staff, and the ESL co-ordinator or vice-principal at each of the three boards. At the school level, we interviewed principals, ESL teachers, classroom teachers, and secondary-school ESL students. We also examined a sample of Ontario Student Records (Records) of students who immigrated to Canada from non-English-speaking countries in order to assess the adequacy of service and performance information maintained by schools for each student.

In addition, we researched practices in other jurisdictions, spoke with participants at a conference of Ontario ESL teachers and co-ordinators, and met with faculty members at two universities who have expertise in this area.

Figure 2: ESL and ELD Grants by English-language School Board, 2004/05

Source of data: Ministry of Education

District School Board	ESL/ELD Grant ($ million)	ESL Grant for Cdn-born Students ($ million)	Total ($ million)
Toronto	79.0	9.0	88.0
Peel	30.3	2.0	32.3
Toronto Catholic	15.4	3.8	19.2
York Region	11.9	1.1	13.0
Dufferin-Peel Catholic	10.7	1.6	12.3
Ottawa-Carleton	7.2	1.0	8.2
Hamilton-Wentworth	5.2	0.7	5.9
Waterloo Region	4.7	0.8	5.5
Thames Valley	4.7	0.7	5.4
Greater Essex County	3.6	0.4	4.0
other boards	26.3	4.8	31.1
Total	**199.0**	**25.9**	**224.9**

Figure 3: ESL and ELD Grants to English-language School Boards, 2000/01–2004/05

Source of data: Ministry of Education

	2000/01	2001/02	2002/03	2003/04	2004/05
ESL/ELD grants ($ million)	132	152	159	163	199
ESL grants for Canadian-born students ($ million)	22	22	22	23	26
Total ($ million)	**154**	**174**	**181**	**186**	**225**
# of ESL/ELD students funded	72,684	80,949	87,124	84,875	103,667
# of Canadian-born ESL students funded[1]	137,985	137,985	137,985	137,985	137,985

1. This number is based on the 1996 Census.

The Ministry's Internal Audit Services Branch had not done any recent work that allowed us to reduce the scope of our work.

Summary

We found that while the Ministry provides school boards with approximately $225 million a year of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) grants, it had no information about whether students whose first language is not English were achieving appropriate proficiency in English. In addition, the Ministry had no information on how much school boards were actually spending on ESL/ELD programs. Information we received from one board indicated that more than half of its ESL/ELD funding was spent on other areas.

This lack of oversight of ESL/ELD program delivery resulted in some concerns similar to those raised in our 1993 audit report on Curriculum Development. Specifically, the considerable discretion that school boards and in some cases individual schools have with respect to ESL/ELD programs increases the risks of students with similar needs being provided with different levels of assistance depending on which school or board is delivering the program. In addition, the lack of a centrally co-ordinated process to develop ongoing training programs for teachers and various instructional aids results in under-investment in these areas and may lead to some duplication of effort by school boards.

In particular, we found that:

- The Ministry had not established a measurable English-proficiency standard that ESL/ELD students should attain before ESL/ELD services are discontinued. Some teachers we interviewed were concerned that services to ESL/ELD students were discontinued prematurely due to budget considerations.
- There was a lack of tools to help teachers to properly assess the starting point and progress of students in achieving English proficiency and to determine whether additional assistance was needed.
- Although the Ministry has recommended that teachers modify the standard curriculum expectations for, and provide accommodations (for example, extra time on tests) to, ESL/ELD students, it did not provide much guidance on how to adapt the standard curriculum expectations for students who are learning English. The lack of guidance has resulted in inconsistent practices.
- Neither report cards nor student records had sufficient information about modifications to standard expectations or accommodations provided to ESL/ELD students. As a result, parents, principals, and school boards were not in a position to evaluate the appropriateness of the modifications and accommodations or their impact on marks.

Chapter 3 • VFM Section 3.07

- The Ministry was not ensuring that the ESL/ELD funding policy targeted students most in need of assistance, which may have resulted in inequitable funding allocations among school boards.

In 2004, the government established the Literacy and Numeracy Secretariat (Secretariat), stating that "every Ontario student needs to read, write, do math and comprehend at a high level by age 12." The Secretariat specifically identified ESL students as a group that continues to struggle. In its May 2005 strategy document, the Secretariat states that its key purposes include strengthening the focus on literacy and numeracy, and sharing successful practices among schools and districts. Each of these directly relates to the concerns noted during our audit.

Detailed Audit Observations

TEACHER TRAINING AND INSTRUCTIONAL AIDS

To become an English-as-a-Second-Language (ESL) specialist, Ontario teachers must complete a three-part program accredited by the Ontario College of Teachers that enables them to "develop a deep understanding of second language acquisition theories and classroom teaching methodology." Teachers are considered to be certified ESL teachers if, at a minimum, they have completed Part I of the three-part program. ESL specialists we interviewed said that all ESL teachers should complete the specialist program.

ESL teachers at the elementary-school level typically work with students who are at the early stages of learning English by withdrawing them from their regular class for part of the day for instruction. At the schools we visited, students were usually withdrawn from classes where language-intensive subjects, such as history, were being taught. Students were left in their regular classes for subjects such as mathematics. At the boards we visited, students who started school with little knowledge of English were usually fully integrated after receiving three years of ESL/ELD services.

Aids available to teachers include a resource guide for ESL/ELD programs for students in grades 1 through 8, published by the Ministry in 2001. While the resource guide does not set out specific courses, it does provide school boards and teachers with suggestions regarding the delivery of ESL/ELD programs. The resource guide also describes four stages of second-language acquisition and literacy development, summarized in Figure 4.

For the secondary-school level, the Ministry published in 1999 a curriculum document setting out five ESL courses and four ELD courses for students at varying levels of proficiency in English. The

Figure 4: Stages of Second-language Acquisition and Literacy Development

Source of data: Ministry of Education

Stage	ESL	ELD
1	English is used for survival purposes.	Standard Canadian English has begun to be used appropriately.
2	English is used in supported and familiar activities and contexts.	Standard Canadian English is used in supported and familiar activities and contexts.
3	English is used independently in most contexts.	Standard Canadian English is used accurately and correctly in most contexts.
4	English is used with a proficiency approaching that of first-language speakers of English.	Grade-appropriate reading and writing skills are demonstrated.

fifth ESL and fourth ELD courses are intended to prepare students for grade 11 English. Students can substitute ESL/ELD courses for up to three of the four compulsory credits in English. The remaining credit must be grade 11 or 12 English.

These ministry documents note that students usually take five to seven years to become fluent in English. Thus, most students who have been fully integrated after receiving three years of ESL/ELD instruction would still benefit from specialized instructional strategies and techniques. However, there are no minimum ESL/ELD training requirements for regular classroom teachers with a significant number of ESL students. We were told that as a result, many ESL/ELD students have teachers who lack the training required to implement appropriate instructional techniques and strategies.

Classroom teachers we interviewed said that they needed practical training that focused, for example, on appropriate modifications to curriculum expectations for students at the various stages of proficiency in English and on the level of difficulty of homework that should be assigned, taking into account the parents' inability to help in many cases.

Teachers also said that there was a need for exemplars (examples of graded assignments for students at various English-proficiency levels) to assist them in assessing ESL/ELD students' work. Although the Ministry developed exemplars for the regular curriculum and for the ESL and ELD secondary-school courses, it had not done so for ESL/ELD students who are working towards modified expectations.

With respect to instructional aids, teachers at the boards we visited told us that ESL/ELD students would benefit from an increased number of age-appropriate, high-interest, low-vocabulary books (sometimes referred to as picture books) so that they could improve their English proficiency through pleasure reading. They also mentioned that it would be helpful to have bilingual dictionaries in more languages, as well as age-appropriate visual dictionaries that use pictures and diagrams to explain the meaning of words.

The Ministry's resource guide states that "all areas of a student's English-language development can be enhanced through the use of interactive software programs (such as word-processing programs with capabilities for checking grammar and spelling, graphics programs, desktop publishing simulations, and interactive problem-solving games)." Similarly, the December 2004 Report of the Ministry's Expert Panel on Literacy in grades 4 to 6 recommended the use of "translation programs, electronic dictionaries, and other technological tools that can help students acquire access to the language of academic texts and build bridges from one language to another." Educators at the boards we visited advised us that they did not make extensive use of such software and did not have the resources to evaluate software products and other instructional aids.

Educators also indicated that schools have common needs with respect to both ESL/ELD training for classroom teachers and instructional aids. One of the boards we visited had independently developed some training courses and exemplars for use by its teachers. However, rather than having each board develop these items independently, it would be more economical for the Ministry to do so on behalf of all school boards. Formal ministry involvement could also help ensure that training courses and instructional aids were of high quality and developed on a timely basis. Similarly, ministry involvement in evaluating available software products and other instructional aids would be more cost effective than separate evaluations undertaken independently by individual boards.

RECOMMENDATION

To help ensure that English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students benefit from appropriate instructional practices and aids, the Ministry should:

- work with school boards to determine and provide the minimum training that teachers require to work effectively in schools with significant numbers of ESL/ELD students; and
- co-ordinate the evaluation of, and where necessary the development of, courses for teachers, and instructional aids such as exemplars and ESL/ELD educational software.

MINISTRY RESPONSE

The Ministry agrees that all students benefit from appropriate instructional practice and support.

The Ministry is currently developing a comprehensive K-12 policy for students who are learning English. The Ministry is also in the process of creating resource materials and professional development programs that will support teachers and schools in their work with these students.

MONITORING STUDENT PROGRESS

The Ministry's curriculum documents do not set out measurable objectives for ESL/ELD programs. They also lack English-proficiency standards for each age that, if achieved, would provide reliable evidence that ESL/ELD students have met specific objectives.

The approach used in a 2003 Alberta study of grade 10 ESL students could be considered for setting standards and measuring student progress in achieving them. Specifically, this approach included:

- a method for measuring reading comprehension through tests, which enabled researchers to examine ESL students at a clearly defined starting point relative to their English-speaking age peers and measure their subsequent progress;
- a measurable objective, which was to help ESL students who started grade 10 at the 15th percentile in English reading comprehension reach the 65th percentile, the point at which they would be deemed capable of managing post-secondary education; and
- a defined period of time to achieve this objective—five semesters.

As discussed in the sections that follow, standards and related assessment tools would help educators make appropriate decisions about when to discontinue services to ESL/ELD students, monitor the progress of students in acquiring English, and more objectively report on student performance.

Initial Assessments

The first assessment of most school-age immigrant students takes place at registration with a school board. The three boards we visited had established reception centres for assessing immigrant students. However, at one board, the centres assessed only secondary students. Students of elementary-school age in that board were registered at their local school.

The reception centres we visited assessed English proficiency using tools developed by an Ontario association of ESL educators. However, we noted that, except for mathematics, the centres did little work on assessing students' academic standing beyond determining the number of years of schooling received before immigrating to Canada. Also, there was no attempt to determine first-language literacy levels. As a result, schools do not have a clear starting point from which to monitor student progress and thereupon determine whether an individual student's poor performance is primarily the result of language difficulties or a weak academic foundation. Educators we spoke to about this issue stated that better information about students on their entry into the school system would be helpful.

RECOMMENDATION

The Ministry should determine whether the benefits of teachers having a clear starting point from which to monitor progress are sufficient to justify the cost of more thoroughly assessing the first-language literacy and academic standing of new English-as-a-Second-Language and English-Literacy-Development students.

MINISTRY RESPONSE

The Ministry acknowledges the recommendation and has initiated a research program designed to determine additional ways to improve successful outcomes for students who are learning English, to fill some of the existing gaps in Canadian-based research on ESL/ELD programs, and to involve educators in ongoing research initiatives.

The Ministry initiated a formal consultation in May 2005 about the needs of students who are learning English. The Ministry will continue to work with educational partners to identify and review effective procedures for initial assessment of students' first-language skills, language proficiency in English, and academic background.

Ongoing Assessments

Both of the Ministry's ESL/ELD curriculum documents state that each student's progress in acquiring English should be carefully monitored by teachers until the student has demonstrated a level of proficiency in English similar to that of his or her English-speaking peers. This would enable teachers to offer program changes to students, and provide additional supports as needed. Educators we interviewed agreed that a student's progress is the change from one assessment to the next, and monitoring progress is an evaluation of the adequacy of this change. Therefore, adequate monitoring of an ESL/ELD student's progress in acquiring English would involve:

1. measuring the student's English proficiency relative to his or her age peers whose first language is English at least annually;
2. quantifying the amount of progress the student made between assessments; and
3. assessing whether the amount of progress made is adequate in the circumstances, documenting this assessment, and making changes to the student's program where necessary.

To perform parts 1 and 2, teachers need tools for measuring the English proficiency of their ESL/ELD students on a periodic basis. Part 3 requires benchmarks for the various ages and proficiency levels at which students start a term or semester, against which teachers can compare each student's progress. Progress at or above the benchmark would indicate that a student is making adequate progress, while progress below the benchmark would indicate that additional assistance may be required. An expert in ESL/ELD education whom we interviewed suggested that a useful benchmark might be the amount of progress achieved at the end of an assessment period by 60% of ESL/ELD students who all entered Ontario's school system at the same age and proficiency level.

However, the Ministry has not developed the necessary assessment tools and benchmarks to enable teachers to measure the progress of ESL/ELD students in acquiring English. Instead, it has been left to individual school boards to determine how, or even whether, to measure English proficiency and to determine what constitutes adequate progress over an assessment period. None of the boards we visited provided teachers with tools designed to measure the amount of progress students made between assessments. Therefore, the information required to monitor the progress of ESL/ELD students in acquiring English was, in essence, not available. Teachers we interviewed stated that monitoring was informal, but that action would be taken where students were at risk of failing courses due to language problems.

RECOMMENDATION

To help ensure that decisions about the types and amount of services and supports provided to English-as-a-Second-Language and English-Literacy-Development students are based on proper monitoring of their progress, the Ministry should develop tools that teachers can use to periodically measure students' English proficiency and benchmarks against which they can compare each student's progress.

MINISTRY RESPONSE

The Ministry is committed to maintaining a high-quality education system that ensures success for all students, including students who are still in the process of acquiring English proficiency.

The Ministry will work with educational partners to identify and review effective procedures for ongoing assessment of students' acquisition of English and their academic progress.

Documenting Monitoring Activities

Schools keep student information in Ontario Student Records (Records), which are permanent official records maintained at the student's current school. A student's Record is sent along with the student when a student transfers to another school. The Ministry requires that Records contain basic registration information, report cards, Ontario Student Transcripts (where applicable), and additional information "conducive to the improvement of the instruction of the student." Such additional information could include the results of teachers' monitoring of the progress of ESL/ELD students in, for example, acquiring English and integrating socially.

In our sample of Records for ESL/ELD students attending the schools we visited, we found little information on student progress in acquiring English and no information on secondary students' social integration. Consequently, these Records would be of little use to next year's teachers in determining whether the student would benefit from program changes or additional supports.

Some Records we examined contained tracking sheets designed to provide a general assessment of students' English proficiency. However, as these forms were not required to be used, they were not routinely completed. Moreover, they were not designed to enable teachers to quantify students' progress from one assessment to the next.

With respect to ESL/ELD students' social integration, we noted that, while the Ministry's secondary-school curriculum document states that schools should monitor social integration, it does not provide examples of what the Ministry expects in this regard or of the benefits to students of social activities. Social interaction with Canadian-born peers not only assists ESL/ELD students in learning English, but also may help prepare them for success in the workplace. Immigrant managers and professionals participating in a 2004 Conference Board of Canada study reported that a "lack of knowledge of Canadian norms and values had been a barrier to realizing their full potential."

RECOMMENDATION

To help ensure that Ontario Student Records (Records) contain the information required to enable the next year's teachers to assess the needs of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students so that the appropriate level of assistance can be provided, the Ministry should:

- require that schools file summaries of monitoring activities regarding the progress of ESL/ELD students in acquiring English in the Records; and

- clarify what it expects in the monitoring of students' social integration.

MINISTRY RESPONSE

Accountability for monitoring and recording student progress for all students is a ministry priority. The new policy framework for students who are learning English will clearly articulate the Ministry's expectations for monitoring the progress of these students.

The Ministry will consult with educational partners to determine the most effective ways of monitoring/tracking the progress of students who are learning English.

When to Discontinue Services

A key issue for this type of program is identifying the point at which students no longer require services. The schools we visited generally reduced supports for elementary students after they reached Stage Three, defined (see Figure 4) as the use of English "independently in most contexts." For students who started school at Stage One (the use of English "for survival purposes"), service was typically provided for two or three years. However, a 2002 study of the long-term academic achievement of ESL students in the United States stated that "students with no proficiency in English must NOT be placed in short-term programs of only one to three years … [T]he minimum length of time it takes to reach grade-level performance in [the] second language is four years."

The study's conclusion was consistent with the views expressed by some educators we interviewed that decisions to reduce or eliminate support after students reach Stage Three were often based on resource limitations rather than sound pedagogy. Although teachers told us that services would be resumed in cases of very poor academic performance, this practice does not address the needs of students performing below their potential due to marginal English skills, who would benefit from continued service.

Other jurisdictions have recognized the need for a more rigorous basis for determining when to end service. For example, New York State requires its school boards to provide ESL services until students achieve a level of English proficiency defined by the state and measured annually by its English as a Second Language Achievement Tests. In October 2003, the Alberta Commission on Learning recommended that the province "create provincial proficiency standards for assessing [ESL] students … and provide funding until students reach the standard." The Alberta government responded that it supported this recommendation, and reported in October 2004 that "Alberta Learning [Alberta's Ministry of Education] … is developing provincial proficiency standards and assessment tools for ESL … students."

ESL co-ordinators we interviewed agreed with the need for a proficiency standard to support service decisions made for ESL/ELD students. However, concerns were raised that in the absence of additional resources, a requirement to continue providing services to students until they met the standard would simply spread existing resources over more students.

RECOMMENDATION

To help ensure that services to English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students are not discontinued prematurely, the Ministry should establish measurable English-proficiency standards that ESL/ELD students must attain before boards can discontinue ESL/ELD services to them.

MINISTRY RESPONSE

The Ministry is in the process of developing a policy that will clarify expectations regarding the kinds of support required to meet the varying needs of students who are learning English.

Reporting on Student Performance

The Ministry's curriculum documents state that programs should be adapted to allow students in the early stages of learning English, or those at early stages of development in English literacy, to succeed. Adaptations include modifying (reducing) the curriculum's learning expectations for subjects and courses, and providing students with accommodations, such as extra time on tests or permission to use bilingual dictionaries.

The Ontario Curriculum Grades 1–8: English as a Second Language and English Literacy Development—A Resource Guide, 2001 states that report cards should disclose whether ESL/ELD students are working towards modified expectations. The resource guide also notes that "it is important to ensure that parents of ESL and ELD students understand on what basis a particular mark has been given, and how it relates both to the student's ability to use English and to his or her proficiency in the subject area." However, the accommodations that students received, and the nature and extent of modifications to the standard curriculum expectations, were not disclosed in report cards at any of the elementary schools we visited.

The Ministry's grades 9–12 ESL and ELD curriculum document states that report cards should clearly indicate whether ESL/ELD students' learning expectations have been modified and what accommodations they received. However, the report cards we reviewed did not disclose whether accommodations were provided or whether learning expectations had been modified. With respect to modifications, most of the secondary-school teachers and principals we interviewed said that they did not modify curriculum expectations, except in the case of special-needs students. However, some teachers told us that curriculum expectations are modified for ESL/ELD students in congregated classes—classes composed entirely of early-stage ESL/ELD students. Others told us that they were more generous in marking the work of ESL/ELD students. This was not disclosed in report cards or in the Records we reviewed.

As a result, information essential to an accurate picture of how ESL/ELD students are performing relative to their peers whose first language is English is missing from both report cards and Records. Consequently, the appropriateness of the modifications and accommodations provided to each student cannot be evaluated by the board, principals, or parents. Also, since the level of modifications and accommodations provided to students depends solely on the judgment of individual teachers, they may vary significantly for students with similar proficiencies in English in different schools or even within the same school.

The accuracy of assessments of ESL students was questioned in a 1993 study conducted by an Ontario school board. It found "strong evidence to suggest that teacher ratings of ESL students are inflated." The study also noted that "it is speculated that teachers tend to overrate ESL students for two reasons: (1) they are generous in their perceptions of ESL students and want to give them the benefit of any doubt; and (2) they have not developed sufficient empirical or 'intuitive' norms for ESL student achievement, based on the age and length of residence of those students." Similarly, a study conducted at an Alberta secondary school in 2003 found that many teachers were inclined to give ESL students in English classes "good will marks."

Our interviews of educators yielded differing views about the benefits of accurately reporting ESL/ELD students' proficiency in English and their overall performance. Those who opposed the idea were concerned that doing so would undermine the confidence of their students. However, the 2003 Alberta study mentioned earlier described inaccurate reporting as a "benevolent conspiracy ... [that] ultimately produced devastating consequences as reflected in the examination results and subsequent failure in students' pursuit of postsecondary studies." A 2004 study of the academic achievement of ESL students at a large Ontario university found that the performance of ESL students was below what their secondary-school marks would have predicted, suggesting that those secondary-school grades did not accurately reflect their achievement. The study noted that "at a very global level, the findings also suggest that in general, ESL students, independent of birth place and length of time in Canada, do not achieve grades comparable to those of Canadian born speakers of English, even though they may have entered the university with similar high school marks."

We also understand that many Ontario universities are unwilling to rely solely on ESL students' marks in their English credits for admission purposes. Instead, they require students who have been in Canada for less than three years to pass the Test of English as a Foreign Language, even where they have already passed grade 12 English.

Inaccurate assessments and inflated grading of a student's actual performance can have other drawbacks. For instance, students who would benefit from after-school and summer programs might choose not to participate, mistakenly believing that their marks represent an accurate picture of their performance.

RECOMMENDATION

To help ensure that the progress of English-as-a-Second-Language and English-Literacy-Development students is properly reported, the Ministry should work with school boards to ensure that report cards include information on the extent, if any, to which curriculum expectations have been modified and the types of accommodations students received.

MINISTRY RESPONSE

The Ministry acknowledges this recommendation, and the policy under development for students who are learning English will provide direction to school boards about documenting and reporting adaptations made to a student's program.

ASSESSING PROGRAM PERFORMANCE

Assessing the performance of any program involves measuring the extent to which intended outcomes were achieved and determining whether the costs incurred were reasonable. As discussed in the sections that follow, neither the Ministry nor the school boards we visited had established processes for collecting the information on costs, services provided, and student outcomes required to assess the results achieved by their ESL/ELD programs.

The boards we visited also had no information about the effectiveness of the various services offered with respect to outcomes, such as graduation rates, or about the relative cost effectiveness of each type of service. As a result, these boards had no basis for determining which service alternatives produce the best student outcomes at the most reasonable cost and therefore no ability to determine best practices that could be shared with other school boards, including practices that help students learn English more quickly.

Learning English More Quickly

Both the Ministry's secondary-school curriculum document and a 2002 U.S. study note that time is a factor for students who arrive at later elementary grades or secondary school. The curriculum document states that "students who arrive as beginning learners of English during their secondary-school years may not have enough time to catch up with their peers by the end of Grade 12." The U.S. study found that for students whose academic performance is at grade level in their first language when they arrive, learning enough English to do grade-level work again "is equivalent to interrupting their schooling for one or two years." As a result, they "have to make more gains than the average native-English speaker makes every year for several years in a row to eventually catch up to grade level, a very difficult task to accomplish."

Some schools we visited that received large numbers of students with no knowledge of English took steps to help these students progress more quickly by increasing the amount of instruction provided by teachers with ESL training. For example:

- Two elementary schools provided more instruction by ESL teachers in withdrawal classes during students' initial months before placing them in regular classes for most subjects. One school had full-day withdrawal classes for students in grades 7 and 8, while the other had half-day withdrawal classes for all grades.
- Several secondary schools had congregated classes in various subjects for early-stage ESL students with instruction by ESL teachers. One board had a small (275 students) secondary school composed entirely of early-stage ESL students, and all teachers at this school were certified ESL teachers. Students could enrol in the school for up to three semesters.

However, the impact of these and other service alternatives on English-acquisition times had not been evaluated by either the boards we visited or the Ministry. As a result, it is not clear which practices achieve the best results for similar types of students.

Ministry Monitoring

The Ministry did not collect from school boards the information required to determine whether the ESL/ELD programs for which it provides $225 million a year in grants were meeting its goals.

For example, the Ministry had not compared the outcomes for students who received ESL/ELD services in elementary or secondary school to that of English-as-a-first-language students. Relevant comparisons include the percentage of students who graduated, and who subsequently earned a college diploma or university degree, or successfully completed an apprenticeship program.

Researchers who examined the dropout rate of ESL students who started grade 9 between 1989 and 1997 at an Alberta secondary school found that the rate was much higher than that of students whose first language is English. The researchers tracked the students according to their placement in the ESL program as beginner, intermediate, or advanced, upon entry into secondary school. They reported that the dropout rate ranged from over 90% for students at the beginner stage of English proficiency to about 50% for those at the advanced stage, with an overall average of 74%. The educators we interviewed felt that Ontario's rates would be significantly lower than these, but a majority agreed that the dropout rate for ESL students would be higher than that of English-as-a-first-language students.

We did not find any research comparing the graduation rates of ESL/ELD students who are accepted by colleges and universities to those of English-as-a-first-language students. However, a follow-up on the previously mentioned 2004 study at a large Ontario university found that "even if they were born in Canada or immigrated at an early age, the university grades of ESL students are lower than those of native-born speakers of English after adjustments have been made for factors such as levels of prior achievement, social class, and faculty of enrolment."

Information on the performance of ESL/ELD programs at each school board would enable the Ministry to identify the practices underlying cases of sustained high/poor performance and work with school boards to promote best—and, where necessary, correct poor—practices. It would also enable the Ministry to determine whether additional services should be provided to ESL/ELD students and, if so, evaluate them through pilot testing. For example, the value of summer programs and ESL services in kindergarten could be examined.

We noted that the Literacy and Numeracy Secretariat stated in its May 2005 strategy document that "the opportunity to develop a high level of literacy is contained within a narrow window of a child's life. Children who, by the age of eight, have not learned fundamental literacy may struggle throughout the rest of their schooling. They are therefore placed at an increased risk of not completing their education successfully."

RECOMMENDATION

To help ensure that the Ministry and school boards can identify which English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) services and supports are the most effective and economical in meeting student needs, the Ministry should:

- require that school boards collect and report the information necessary to relate student progress and outcomes to the type, amount, and cost of the ESL/ELD services and supports they received;
- co-ordinate and facilitate efforts to identify and promote best practices, and evaluate the need for, and benefits of, additional services and supports; and
- monitor the outcomes for ESL/ELD students, such as graduation rates and progress after graduation.

MINISTRY RESPONSE

The Ministry agrees that it is important to track the progress of students who are learning English in order to ensure that school programs are providing the required support.

The policy being developed will consider (1) providing criteria for identifying English-language learners, (2) describing procedures for data collection to enable tracking these students as a group, and (3) using this information to identify the most effective programs and approaches.

ENSURING QUALITY PROGRAM DELIVERY BY SCHOOLS

Merely establishing policies for the delivery of services and supports to ESL/ELD students does not ensure that the policies are implemented. Consequently, there is a need to verify that schools are delivering these services and supports in an appropriate manner. However, none of the boards we visited had established quality-assurance processes to examine and report on each school's delivery of ESL/ELD programs. Such examinations would also include the accuracy of any program performance data collected in future.

For example, board personnel did not visit schools to verify that students' progress in acquiring English was properly monitored and that their report cards were properly completed. Nor were efforts made to ensure that ESL/ELD students received appropriate feedback on their tests and assignments. A ministry document states that information "on areas in need of improvement is more helpful when the specific category of knowledge or skills is identified and specific suggestions are provided than when they receive only an overall mark or general comments."

When asked about ways in which ESL programs might be improved, some secondary students we interviewed mentioned the lack of feedback about mistakes in their assignments, and stressed the importance of understanding their mistakes in order to avoid such errors in future.

None of the principals we interviewed had been evaluated by their superintendents on their school's ESL/ELD programs. At one board, there was no mention of ESL/ELD programs in the improvement plans of any of the schools we visited, and even where mentioned at the other boards, we saw few examples of initiatives where the impact on student progress or outcomes could be measured. We noted that the Literacy and Numeracy Secretariat said in its May 2005 strategy document that it would ensure that school boards' plans specifically address the strategies they will use to bring about equity of outcomes for designated groups.

RECOMMENDATION

To help ensure that schools appropriately deliver services for English-as-a-Second-Language and English-Literacy-Development students, the Ministry should require that boards establish quality-assurance processes that review and assess each school's compliance with ministry and board policies.

MINISTRY RESPONSE

The Ministry agrees and, building on the May 2005 consultation, will work with school-board leaders to enhance quality-assurance processes related to policy for programming and services for students who are learning English.

MEETING MID-YEAR AND REFUGEE STUDENT NEEDS

We noted two groups of students whose needs did not appear to be fully addressed: students who arrive in Canada late in the school year or semester and speak very little English; and refugee students, particularly those who have been in refugee camps for extended periods and have received little or no formal education in their first language.

Where students arrive in Canada late in the elementary-school year or secondary-school semester, the school boards we visited generally place them in ongoing classes, for which they receive no mark or credit due to their late entry. In general, the boards we visited did not have programs to provide these students with intensive training in English during these periods to better prepare them for the next school year or semester.

As illustrated in Figure 5, Ontario receives an average of more than 6,000 refugees per year, about 2,500 of whom are of school age.

School-age refugees fall into two categories:

- those who have missed two or three years of schooling but have some literacy in their first language and who, along with their parents, are familiar with the concept of school, expected behaviours, and urban life; and
- those who have little or no formal education. These students come from very high-needs families whom the federal government recently started accepting on humanitarian grounds. As noted in a newsletter published by the federally funded Settlement Workers in Schools (SWIS) program, this group of refugee students may have no school experience, may be unfamiliar with urban life and amenities, and may exhibit behaviours based on life in refugee camps.

One of the boards we visited had developed a program specifically designed for non-English-speaking students with gaps in their education and offered it at selected elementary and secondary schools. The program was open to students aged

Figure 5: Refugees (Permanent Residents) Arriving in Ontario, 2000–04

Source of data: Citizenship and Immigration Canada

Age	2000	2001	2002	2003	2004	5-year Average
0–4 years	591	540	466	400	483	496
5–13 years (school age)	1,551	1,451	1,459	1,398	1,637	1,499
14–19 years (school age)	844	960	955	985	1,148	978
over 19 years	3,271	3,057	3,009	2,905	3,024	3,053
Total	**6,257**	**6,008**	**5,889**	**5,688**	**6,292**	**6,026**

11 to 16, and they could remain in it for a maximum of three years. The other two boards we visited did not have ELD programs, saying they had few students in this situation.

We interviewed a SWIS worker, previously a teacher, about the adequacy of ELD programs where they exist. The SWIS worker was of the view that existing programs were directed at traditional cases—students who have missed two or three years of schooling—and did not meet the needs of students who have never attended school or missed many years of schooling. While the federal government provides high-needs families with settlement assistance and a short orientation program, it does not have programs to help these students with their education.

RECOMMENDATION

To help ensure that English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) programs address the needs of all ESL/ELD students, the Ministry should:

- assess the benefits to students who arrive late in the school year or semester of programs that provide intensive training in English until the beginning of the next term or semester; and
- consider working with Citizenship and Immigration Canada to develop more effective programs for high-needs refugee students.

MINISTRY RESPONSE

The Ministry acknowledges the importance of addressing the needs of students who arrive during the school year, the needs of refugee students, and the needs of students who arrive with limited prior schooling. The policy for English-language learners will consider how the needs of these students could be addressed.

The Ministry will continue to consult with Citizenship and Immigration Canada as appropriate to develop more effective programs for students who are learning English.

FUNDING AND ACCOUNTABILITY

Ministry funding to school boards for ESL and ELD students consists of two components. Although ESL/ELD students arrive with a range of proficiencies in English and previous education, neither grant is based on an assessment of the needs of individual students, with the result that funding for high-needs students is the same as for those with low needs.

The first component, which covers recent immigrants, currently provides a total of $7,847 per eligible student over four years and is based on the number of recent-immigrant students born in countries where English is not a first or standard language. The grant is calculated on a declining scale based on year of arrival, as illustrated in Figure 6 for the 2004/05 school year. Principals are required to report the number of eligible students enrolled

Figure 6: ESL/ELD Grants for Recent-immigrant Students, 2004/05

Source of data: Ministry of Education

Year of Arrival	Weighting Factor	Base Amount ($)	Grant Amount per Pupil ($)	Number of Pupils	Total Grants to School Boards 2004/05 ($)
2004	1.00	3,203	3,203.00	25,722	82,387,566
2003	0.70	3,203	2,242.10	22,388	50,196,135
2002	0.50	3,203	1,601.50	27,324	43,759,386
2001	0.25	3,203	800.75	28,233	22,607,575
Total			**7,847.35**		**198,950,662**

at their schools in October, and to keep appropriate immigration information in Ontario Student Records (Records) to support the numbers reported to the Ministry. The Records we examined had the required information.

The second component, for Canadian-born students, is calculated by the Ministry based on Statistics Canada data on the number of children aged 5 to 19 years within each board's boundaries whose language spoken most often at home is neither English nor French. The grant for the 2004/05 school year was $26 million and was allocated using 1996 Statistics Canada Census data.

We noted that a Statistics Canada study, based on 1994–98 data, found that the Canadian-born children of immigrants to Canada "faced significant disadvantages in the first years of elementary school … [T]heir mathematics and reading skills were about 20% lower and their writing skills almost 30% lower [than the skills of their classmates whose parents were born in Canada]. However, by age 10 or 11, these children were considered to be performing as well as their classmates in all three subject areas."

The study indicates that the group of Canadian-born students who need ESL services are those aged 5 to 11 years, rather than the age 5–19 group used in the Ministry's formula. If the Ministry, recognizing that Canadian-born students who are learning English require more assistance when they are younger, were to calculate boards' grants using the age 5–11 group instead of the broader group used in the current formula, the results would likely indicate that some boards are under-funded while others are over-funded for Canadian-born students who are learning English.

As discussed earlier in this report, almost 2,500 of the refugees who come to Ontario each year are of school age. Because they have significant gaps in their education, and in some cases no formal education at all, refugee students require more services than students who only need to learn English. However, the Ministry's funding formula does not directly address the heavier needs of refugee students.

Although the Ministry's Education Funding Technical Paper 2004–05 stipulates that ESL/ELD grants are provided to school boards so that they have "resources to meet the needs of … students [who] require extra help to develop proficiency in the language of instruction," the Ministry does not require that these grants be spent on ESL/ELD programs. In fact, the Ministry advised us that it is aware that a portion of these grants is often reallocated to other programs. Because the Ministry does not require that boards report spending by program, information on the extent of the reallocations was not available to us, although one board provided us with financial information that indicated that less than half of its grant was spent on ESL/ELD programs. The Ministry had not assessed the impact of such reallocations on the adequacy of services provided to ESL/ELD students.

RECOMMENDATION

To better ensure that both the amount and the allocation of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) funding is appropriate and commensurate with students' needs, the Ministry should:

- determine whether funding, instead of treating all students in each board similarly, should take into account the percentage of high-needs students in a board;
- review the grant for Canadian-born English-language learners to determine whether the age group of students that it targets is appropriate; and
- require that school boards report their expenditures on ESL/ELD programs and, where significant portions of the ESL/ELD grants are reallocated to other programs, determine what impact this has had on the ESL and ELD students in that board.

MINISTRY RESPONSE

Accountability is a high priority for the Ministry. The Ministry has already begun a review of the current funding model for immigrant ESL/ELD students and Canadian-born ESL students in order to ensure appropriate allocation of funding for ESL/ELD programs.

A Working Group on Financial Reporting reviewed the option of program-expenditure reporting. The Ministry is currently considering the report of the working group.

Chapter 3 Ministry of Health and Long-Term Care

Section 3.08 Health Laboratory Services

Background

Medical laboratories perform tests and analysis of patient samples to assist in the diagnosis, prevention, and treatment of disease. Most laboratories also own and operate one or more specimen-collection centres to gather the samples. As of March 2005, there were 191 hospital laboratories, 45 private laboratories, and 341 specimen-collection centres operating in Ontario. In addition, the Ministry was operating 12 public-health laboratories that tested human samples for various communicable diseases and private well-water samples for bacterial contamination.

The Ministry of Health and Long-Term Care's Laboratories Branch is responsible for developing and managing all areas of medical laboratory services in Ontario (this includes hospital and private laboratories, as well as specimen-collection centres) and for operating the province's public-health laboratories. Under the *Laboratory and Specimen Collection Centre Licensing Act*, the Ministry licenses and regulates Ontario's hospital and private medical laboratories, including these laboratories' specimen-collection centres. In addition, the Ministry has a contract with the Ontario Medical Association (OMA) to operate a quality-management program to monitor and improve the proficiency of licensed laboratories. This quality-management program for laboratory services provides a number of services, including the evaluation of the quality of testing performed in all licensed medical laboratories in Ontario, as well as laboratory accreditation. The Ministry is also responsible for payments for laboratory services, which are made under the *Health Insurance Act* to private laboratories.

During the 2003/04 fiscal year, the Ministry spent $1.3 billion on laboratory services. Hospital laboratory expenditures accounted for $730 million; $541 million was paid to private-sector laboratories, with three companies receiving over 90% of these payments; and $3.7 million was paid to the OMA to operate its quality-management program for laboratory services on the Ministry's behalf.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry:

- had adequate processes in place to ensure that private-sector and hospital laboratories and specimen-collection centres were complying with applicable legislation and established policies and procedures, that test results were appropriately reported, and that private-sector laboratories were funded in a cost-effective manner; and

- had adequate policies and procedures to ensure that public-health laboratories were reporting well-water test results on a timely basis.

In conducting our audit, we reviewed relevant files and administrative policies and procedures, interviewed appropriate ministry staff, reviewed relevant literature, and researched the delivery of laboratory services in other jurisdictions. While our audit focused on the Ministry, we also met with representatives of the OMA with regard to its quality-management program for laboratory services. In addition, we followed up on the status of recommendations made in our last audit of private and hospital laboratories and specimen-collection centres, conducted in 1995. We also reviewed and, where warranted, relied on work completed by the Ministry's Internal Audit Services.

At the time of our audit, the Ministry was undertaking an operational review to identify and define core testing services of its 12 public-health laboratories and the mechanisms required for these testing services; determine the enhancements required to ensure that the public-health laboratory system performs at an optimum level; and develop a model for reconfiguring the public-health laboratory system as an agency. The Ministry anticipated that the review would be completed in August 2005. Given this review, we excluded the operations of the public-health laboratories from our audit, with the exception of the reporting of well-water testing results.

Our audit was conducted in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the Scope Limitation section that follows. The criteria used to conclude on our audit objective were discussed with and agreed to by senior ministry management.

SCOPE LIMITATION

On November 1, 2004, sections of the *Quality of Care Information Protection Act, 2004* and related regulations came into force that prohibit the disclosure of information prepared for or by a designated quality-of-care committee unless the committee considers the disclosure necessary to maintain or improve the quality of health care. Similarly, anyone to whom such a committee discloses information may share the information only if it is considered necessary to maintain or improve the quality of health care. We understand that this legislation was designed to encourage health professionals to share information to improve patient care without fear that the information would be used against them.

The *Quality of Care Information Protection Act, 2004* prevails over all other Ontario statutes, including the *Auditor General Act*, unless specifically exempted. Because the OMA is designated as a quality-of-care committee with respect to its activities under the *Laboratory and Specimen Collection Centre Licensing Act*, during this audit our access to information relating to the OMA's quality-management program for laboratory services was limited. Specifically, we were prohibited from examining the OMA's quality-management program, or the Ministry's monitoring of this program, after October 31, 2004, because the *Quality of Care Information Protection Act, 2004* came into force on November 1, 2004. Finally, any issues arising from the audit work that we had conducted prior to the scope limitation becoming effective could not be followed up on once the legislation came into force. We were therefore unable to determine whether the quality-management program for laboratory services was functioning as intended.

Our concerns with the scope limitation imposed by the *Quality of Care Information Protection Act, 2004* date back to December 2003, when the Act was introduced for first reading in the Legislature. We explained the problem and proposed a solution in a January 15, 2004 letter to the Ministry and again in a presentation to the Standing Committee on General Government on January 28, 2004. No relevant action was taken during the subsequent three months, so we expressed our concerns yet again in a letter to the Minister in April 2004. In November, the *Quality of Care Information Protection Act, 2004* passed without any changes having been made with respect to our access to information. We have continued to seek a remedy to this situation and again communicated our concerns and our proposed remedial action in a letter to the Minister in February 2005 and followed up with a letter to the Ministry in March 2005.

Summary

Due to the scope limitation already noted, we were unable to fully assess whether the Ministry had adequate processes in place to ensure that private-sector and hospital laboratories were complying with applicable legislation and established policies and procedures. However, we were able to determine that, for the most part, the Ministry had adequate procedures to ensure that specimen-collection centres were complying.

Laboratory testing provides up to 80% of the information that physicians use to make medical decisions. It is therefore essential that test results be accurate and reliable. Since our 1995 audit of private and hospital laboratories and specimen-collection centres, the Ministry has increasingly delegated responsibility to the OMA for assessing the quality of laboratory services. It is therefore more important than ever that the Ministry obtain adequate information to assess whether the OMA is fulfilling its responsibilities to the degree needed to ensure quality patient care. In this regard, we found that the Ministry was obtaining more information from the OMA than when we audited this program in 1995. For instance, the Ministry was now being informed when the OMA sent a laboratory a letter of concern or a letter regarding an on-site consultation, and the Ministry generally was receiving reports resulting from on-site consultations. However, it was still not obtaining sufficient and timely information on laboratories that performed poorly and did not ensure that timely corrective action was always being taken. Our specific concerns in this regard, as well as our other concerns about laboratories, included:

- Although laboratories were being notified in advance that a specimen sample being submitted was part of the OMA's quality-management program to test laboratory performance, the number of significant errors being made when testing those samples had increased (significant errors are those with the potential to cause mistreatment or misdiagnosis).
- The Ministry was not normally notified that a laboratory was producing inaccurate or questionable test results (that is, significant and lesser errors) for certain types of tests until the laboratory had been performing poorly on its external quality-assessment tests for between two and four years. In one case, a laboratory that had been experiencing ongoing problems with certain tests since 1981 and performed poorly on related external quality assessments since at least 1999 was allowed to continue performing these tests until 2003.
- As noted in our *1995 Audit Report*, the *Laboratory and Specimen Collection Centre Licensing Act* (Act) allows laboratories in physicians' offices to conduct *simple* laboratory procedures, whereas a regulation under the Act effectively allows physicians to conduct *all* laboratory tests. At the

time of our current audit, this inconsistency was still unresolved, as was our concern that laboratories in physicians' offices are not subject to the quality-assurance provisions that other laboratories are required to participate in.

We also noted that 75% of payments made to laboratories in physicians' offices in the 2003/04 fiscal year were for tests not defined as simple procedures. The Ministry paid $22.6 million for these tests. In spring 2005, changes to the Act and related regulations were tabled that, if passed, would permit physicians to conduct any type of laboratory procedure for their patients. They would also continue to be exempt from participating in any ministry or OMA quality-monitoring activities. With respect to this last concern, ministry staff advised us that no external quality-assurance process was required as physicians' laboratories were under the jurisdiction of the College of Physicians and Surgeons of Ontario. Our discussion with the College indicated that they do not monitor or regularly review physicians' offices' laboratories to assess the testing performed.

- No integrated system was in place to make laboratory test results accessible to all health-care providers. For example, the results of laboratory tests performed prior to a patient being admitted to hospital were generally not accessible by the hospital, which could result in duplicate testing and delays in patient treatment. According to the Ministry, the implementation of the Ontario Laboratory Information System in the 2005/06 fiscal year will address this issue.
- The Ministry had not periodically reviewed or studied on an overall basis whether laboratory tests that were conducted were appropriate or necessary, even though other jurisdictions had noted concerns in these areas and had found that their best-practice guidelines were shown to significantly improve laboratory utilization.
- The Ministry had not analyzed the underlying actual costs of providing laboratory services so that this information could be utilized in negotiating the fees to be paid for private laboratory services. This is of concern given the province's significant expenditures on private laboratory services: an inter-provincial study estimated that Ontario's per-capita spending on all laboratory services in the 2001/02 fiscal year was about $90.41—the second highest in Canada—while the Canadian average was $77.49.

Furthermore, the Ministry's policies and procedures to ensure that well-water testing is completed and results are reported to well owners on a timely basis should address the following issues:

- The report of the results of well-water testing issued to well owners does not clearly state that well water that is reported to have no significant evidence of bacterial contamination may still be unsafe to drink due to chemical and other contaminants.
- The Ministry's policy of not testing well-water samples when the accompanying submission form is missing any required information, such as a postal code or phone number, even though individuals can access their results through an automated telephone service, could potentially result in individuals continuing to drink unsafe water until another sample, with complete information, is submitted for testing.

Detailed Audit Observations

MEDICAL LABORATORIES

Monitoring of Private and Hospital Laboratories

Historically, the Ministry has monitored medical laboratories and specimen-collection centres through its own licensing and inspection activities and through a contract with the OMA, which is paid to operate a quality-management program for laboratory services. The OMA's quality-management program includes an accreditation program and an external quality-assessment program. All of these monitoring activities are established to help the Ministry determine if laboratories and specimen-collection centres are complying with the *Laboratory and Specimen Collection Centre Licensing Act* (Act) and related regulations, which include requirements for meeting generally accepted standards of proficiency to help ensure that laboratory test results are accurate.

Licensing

Private and hospital laboratories and specimen-collection centres in Ontario must be licensed. Licences are renewed annually upon payment of specified fees and receipt of the licence application form, which is to include details on a laboratory's staff number, staff qualifications, and laboratory equipment. No new laboratory licences have been issued in the last 10 years—primarily, we were informed, due to ministry funding restrictions.

The Ministry reviews the licence application form and follows up on any significant changes that may have an impact on compliance with the Act. Under the Act, a licence may be revoked or its renewal refused if specimen collections or laboratory tests are incompetently carried out, or the owner/operator does not comply with the Act and related regulations. We examined the Ministry's licence renewal process and found that laboratory and specimen-collection centres were licensed on a timely basis and that, in accordance with the Act, the correct fees were paid to the Ministry.

Inspections and Accreditation

In September 2000, the Ministry contracted with the OMA to create and implement a mandatory medical laboratory accreditation program that would assess and rate licensed laboratories in accordance with established criteria. The accreditation program that was developed is based on international standards and includes criteria for assessing laboratories on such matters as organization structure, quality-management system, physical facilities, equipment, and analytical process. The OMA began phasing in its accreditation program in 2003 and expected it to be fully implemented within five years.

As of October 31, 2004, 30 of the 236 laboratories had been accredited. Laboratories are generally to be accredited every five years. Once a laboratory is accredited, the Ministry will cease its regular laboratory inspections. However, we were informed that ministry inspectors will continue to inspect all specimen-collection centres and, if necessary, laboratories that are experiencing difficulties.

At the time of our audit, the Ministry was inspecting medical laboratories and specimen-collection centres that had yet to be accredited by the OMA's accreditation program about every 18 and 24 months, respectively, to ensure that these organizations are in compliance with the Act. We were informed that all ministry inspectors were members of the College of Medical Laboratory Technologists of Ontario. We reviewed a sample of inspections and found that inspections of specimen-collection centres were performed consistently and on a timely basis in accordance with the Ministry's established procedures. For laboratories, we noted that the Ministry's inspection process was performed on a timely basis but that the inspections to ensure compliance with the Act were not always consistently performed. For example:

- Legislation requires that laboratories have an adequate number of qualified staff to test samples. However, the Ministry has no criteria for determining what is adequate staffing and informed us that staffing standards existed for only one type of laboratory test. While all the inspections we reviewed indicated that staffing was adequate, in some cases, a subsequent review by the OMA's quality-management program recommended that the laboratory hire additional staff to address deficiencies. The Ministry informed us that the OMA would be reviewing staffing as part of the accreditation process.

- Inspectors did not consistently determine each laboratory's turnaround time from the receipt of a sample to the reporting of the results to a physician. Some inspectors examined laboratory records to determine turnaround times, while other inspectors just asked laboratory staff and did not examine supporting documentation to verify that the verbal responses were accurate.
- Inspectors were not required to request and review the results of the laboratory's tests from the OMA's quality-management program to obtain information on any higher-risk areas. We did note that, while they were not required to do so, at least some inspectors had reviewed these results as part of their inspection process.

Following an inspection, the laboratory receives a report listing any deficiencies noted during the inspection. We found that laboratories generally reported their corrective action to the Ministry within ministry-established time frames. In addition, we noted that the deficiencies generally were not noted on a subsequent inspection.

External Quality Assessment

The Ministry receives an annual report from the OMA on the overall results of the OMA's quality-management program for laboratory services. According to its 2003 report, laboratory testing provides up to 80% of the information that physicians use to make medical decisions; therefore, it is important to determine the frequency of laboratory mistakes and the most effective way of minimizing their occurrence and impact. In addition, the *2004 Canadian Adverse Events Study,* by an interjurisdictional research group, found that a significant number of adverse events in hospitals (such as injuries, deaths, and prolonged stays) were due to inadequate health-care management, which includes diagnostic errors like laboratory-related errors.

The OMA's quality-management program includes an External Quality Assessment program that sends out test specimens to licensed laboratories (for selected tests, which are determined each year). The OMA analyzes the results of laboratory analysis and provides the laboratory with information on its performance. In 2004, all licensed laboratories performing the tests that were subject to the OMA's quality assessment that year participated in this program.

Test results that do not meet accepted standards are evaluated by the External Quality Assessment program's scientific committees, which assess errors based on their clinical significance. Errors fall into two categories. "Significant errors" are those that have the potential to cause mistreatment or misdiagnosis, while "lesser errors" exceed acceptable limits but are unlikely to impact clinical decisions.

We noted that the Ministry did not request or receive the total errors for Ontario's licensed laboratories. In fact, the OMA's annual report to the Ministry contained only summary information on all of its quality-management activities, which included laboratories in other jurisdictions as well as Ontario. Nevertheless, the report indicated that approximately 97% of its quality testing related to licensed laboratories in Ontario. Results from the past three years are outlined in Figure 1.

Although laboratories are notified in advance that the test sample is part of the OMA's quality-management program (and this is consistent with other jurisdictions), laboratories are expected to test the sample in the same way as patients' samples. However, we believe that it is reasonable to assume that laboratories would test these samples with extra care. We were informed that the OMA considered the advanced warning necessary for a number of reasons, including ensuring that its specimen samples did not cause laboratories to unnecessarily alarm public-health officials when they identified the results.

Notwithstanding the advance notice that laboratories are given, the OMA's annual report noted that errors still occur, and in 2004 the number of significant errors increased (see Figure 1). We were informed that this increase was due in part to a change in how significant errors were assessed in 2004 for one class of tests. However, even after adjusting for this change, significant errors still rose by 23% from 2003 to 2004. The OMA's annual report cited a number of reasons for errors, including a lack of awareness or understanding in the laboratory, problems associated with automated systems, a lack of attention to procedures, inadequate handling of samples, and clerical errors in transcribing results.

In cases where errors have occurred, the scientific committees request that the laboratory explain what caused the problem and what corrective action has been taken. Further communication with the laboratory or an on-site consultation may take place if a laboratory's performance does not improve. If these and other remedial steps still do not improve a laboratory's performance, the scientific committee may submit a report to the Conjoint Committee, which comprises ministry and OMA representatives. The Conjoint Committee can recommend to the Ministry that a laboratory be designated non-proficient for certain tests, which means that the laboratory will no longer be allowed to perform these tests. In 2003, one laboratory was made non-proficient in a particular class of tests, while no laboratories were made non-proficient in 2004.

The Ministry relies on the OMA's quality-management program to assess whether laboratories are providing accurate test results and, where they are not, to ensure that appropriate and timely corrective action occurs. In our *1995 Annual Report*, we recommended that the Ministry be advised as soon as possible of any laboratory that did not meet accepted standards, as well as of remedial action being taken by staff of the Laboratory Proficiency Testing Program—now the OMA's quality-management program for laboratory services.

Figure 1: Errors Identified by the OMA's Quality Management Program, 2002–04

Source of data: Quality Management Program – Laboratory Services annual reports

	2002	2003	2004
significant errors	519	515	825
lesser errors	859	467	310
Total errors	**1,378**	**982**	**1,135**
labs made non-proficient for certain tests	0	1	0

At the time of our current audit, the Ministry did not receive information on the number of significant and lesser errors that had been identified for each licensed laboratory in Ontario and was therefore not aware when or which laboratories performed poorly. Rather, the Ministry was only being informed when the OMA sent the laboratory a letter regarding an on-site consultation or a letter of concern. We noted that this generally occurred after the laboratory had been experiencing problems for some time based on assessments by the External Quality Assessment program. Our review of files noted the following examples:

- From 2000 to 2001, one private laboratory had four significant and seven lesser errors for one class of laboratory proficiency tests. Three prior on-site consultations dating as far back as 1981 had been held at this laboratory concerning the same class of tests. A letter of concern was sent in December 2001, and another on-site consultation took place in April 2002, which indicated that the laboratory's error rate was the highest of all participating laboratories over the past two years. An additional on-site consultation was held, and in April 2003, the laboratory's licence was amended to exclude this class of tests, meaning that the laboratory could no longer perform or bill for these tests. The Ministry indicated that the OMA's quality-management program for laboratory services had worked with the laboratory throughout to attempt to improve its performance. We further noted that the same laboratory also performed poorly on proficiency testing in other classes of tests from 1998 to 2003 and had related on-site consultations for one of these classes of tests in November 2002 and again in April 2004.

- Another laboratory received a letter of concern in 2001 and a letter regarding an on-site consultation in July 2002 due to practices for one class of tests that "may lead to erroneous or misleading reports being issued to the clinician and potentially compromising patient care." Of further concern was that this laboratory was a regional hospital reference laboratory, which performs testing on samples for a number of hospitals and private laboratories in the region. In fact, we found that the Ministry had no evidence to show that the hospitals and laboratories involved were informed that they may have relied on inaccurate test results from the reference laboratory. In November 2002, the laboratory in question voluntarily ceased performing certain tests in this class of tests.

An on-site consultation generally results in recommendations to assist a laboratory in improving its performance. Laboratories report their corrective action to the OMA, which usually conducts a follow-up on-site consultation within one year to one and a half years. We reviewed the follow-up on-site consultation reports and noted that the majority of the laboratories had in fact not addressed all of the original recommendations in full, even though they reported that corrective action had been taken.

RECOMMENDATION

To help ensure that laboratories comply with the *Laboratory and Specimen Collection Centre Licensing Act* and can be relied upon to produce accurate test results, the Ministry should:

- enhance its oversight of the Ontario Medical Association's (OMA's) quality-management activities, including obtaining sufficient information on the results of the OMA's accreditation process, as well as significant and lesser errors found in laboratory test results and evidence that corrective action has been taken on a timely basis; and
- until such time as it ceases its regular inspections, conduct them consistently.

MINISTRY RESPONSE

The Ministry regularly receives copies of letters of concern and on-site reports from the Ontario Medical Association's (OMA's) quality-management program for laboratory services and is kept apprised of quality issues through the joint Ministry–OMA Conjoint Committee. According to recent data obtained from the OMA, while the number of significant errors has increased, in part due to a new method of tracking discrepancies, the percentage of significant errors assigned after review by the Quality Management Program—Laboratory Services' scientific committees has remained relatively constant (1.1% for all disciplines in 2003 and 1.2% in 2004).

The Ministry has recently requested the OMA to advise the Ministry on the resolution of all letters of concern along with the time frames for resolving the issues (from the identification of a concern to its resolution). In addition, the Ministry will review its oversight of the quality-management program for laboratory services, including ensuring that the Ministry is receiving sufficient information, and will discuss possible enhancements with the OMA.

While individual inspectors have different information collection styles, ministry inspectors perform all aspects of their inspections. The Ministry will review the application of the checklists during inspections to ensure that they are applied consistently.

Monitoring of Physicians' Offices' Laboratories

As we noted at the time of our 1995 audit, under the *Laboratory and Specimen Collection Centre Licensing Act* (Act), physicians did not require a licence to collect specimens and conduct simple laboratory procedures for the purpose of diagnosing and treating their own patients (simple procedures are prescribed by regulation and include, for instance, immunologic pregnancy tests of urine and blood glucose determination). We also noted at that time that a regulation under the Act exempted physicians from the section that referred to simple procedures, thereby permitting physicians to perform *all* laboratory tests on their patients. At that time, the Ministry agreed that it should determine what laboratory procedures physicians could conduct for their own patients and resolve the inconsistency between the Act and its regulation. However, at the time of our current audit, this inconsistency still existed.

According to ministry records, for the 2003/04 fiscal year, the Ministry paid a total of $30.8 million to over 750 physicians for laboratory tests for their patients. Of that amount, $22.6 million (or about 75%) was paid for laboratory tests that were not listed as simple procedures. Besides the inconsistency between the Act and the regulation that allowed for these procedures and related billings, senior ministry management informed us that the regulation listing simple procedures was outdated and that other procedures could be performed in physicians' offices. In this regard, in spring 2005, changes to the Act and related regulation were tabled that, if passed, would make the legislation and regulations consistent and permit physicians to conduct any type of laboratory procedure for their patients. In addition, physicians would also continue to be exempt from participating in ministry inspections or the OMA's quality-management program that other laboratories are subject to for the same tests.

We noted in our *1995 Audit Report* that the Ministry's Laboratory Service Review Committee had recommended in 1994 that laboratories and specimen-collection centres in physicians' offices be licensed to bring them under the quality-assurance provisions of inspection and proficiency testing. The Ministry agreed with this recommendation at that time, but we noted during our current audit that no action had been taken in this regard. Ministry staff informed us that physicians' offices' laboratories were still not subject to the quality-assurance provisions because they were under the jurisdiction of the College of Physicians and Surgeons of Ontario, but the College informed us that it does not monitor or regularly review physicians' offices' laboratories to assess the quality of testing performed.

We noted that in the United States, federal legislation requires that all physicians' offices participate in a quality-assurance program if they perform moderate or complex laboratory testing. Given the proposed changes in Ontario to resolve the legislative inconsistency and permit physicians to conduct any laboratory test in their offices, we believe that it is important to patient safety that the quality of this testing be periodically evaluated.

RECOMMENDATION

To help ensure that laboratory tests conducted in physicians' offices are properly performed and produce accurate results, the Ministry should assess whether the quality-assurance processes required for other medical laboratories should apply to laboratories operated by physicians.

MINISTRY RESPONSE

Whether laboratory tests are appropriate or necessary is a medical decision based on an authorized practitioner's clinical assessment of the patient. The Ministry will initiate further discussions with the College of Physicians and Surgeons of Ontario (CPSO) regarding the provisions within the *Laboratory and Specimen Collection Centre Licensing Act* and regulations that relate to physicians performing tests on their own patients to determine whether the Act and regulations need to be modified. It is the responsibility of the CPSO to monitor the physician's scope of practice. The Ministry will follow up with the CPSO on this matter.

Management and Reporting of Laboratory Tests

At the time of our audit, there was no central system in place to integrate and store laboratory test results for a patient, and thereby allow for test results to be accessible to all health-care providers and laboratory service providers. Rather, private laboratories, hospital laboratories, public-health laboratories, and other laboratories in Ontario were using different reporting systems and different methods of tracking and maintaining laboratory data.

The lack of an integrated system may lead to duplicate testing and delayed treatment for patients. For example, when a patient has been admitted to hospital, the results of any laboratory tests performed prior to their being admitted generally would not be accessible by the hospital, and duplicate testing may have to be done by the hospital. While some repeat testing is necessary in the treatment and monitoring of patients, a 2003 research study in Eastern Ontario of eight laboratory tests found that potentially redundant duplicate tests constituted up to about 16% of annual expenditures. The 2003 BC Laboratory Services Review noted that studies from other jurisdictions have found test duplication rates as high as 30%.

We also noted that the Ministry did not periodically review or study, on an overall basis, whether laboratory tests that were conducted were necessary or appropriate. In our review of ministry files, we found that one laboratory's personnel expressed the concern that certain physicians tended to order an excessive number of tests or wide-ranging tests that did not appear necessary. The Ministry indicated to us that it did not review laboratory testing because it was a medical decision.

Notwithstanding, many research studies conducted in other jurisdictions have found that tests are often ordered inappropriately. In particular, one international study, which reviewed various other studies, estimated that 33% of laboratory tests were ordered inappropriately. In addition, it noted that following best-practice guidelines has been shown to significantly improve laboratory utilization in some jurisdictions, such as in British Columbia. We noted that the Ministry, in conjunction with other organizations, such as the OMA, has issued a few best-practice guidelines for physicians, and the Ministry informed us that another guideline was under development. However, the Ministry has not monitored the adoption or impact of these guidelines. We believe that the introduction of additional guidelines, especially for frequently performed tests, combined with education and periodic monitoring to encourage the adoption of all guidelines, could result in significant savings to the Ministry.

The February 1994 report of the Ministry's Laboratory Service Review Committee outlined a number of recommendations, including the establishment of a centralized interactive database with electronic communications links for laboratory service requesters and providers. The Ministry is now developing the Ontario Laboratories Information System, which is expected to enable laboratory test information on individual patients to be accessed by all health-care and laboratory service providers directly involved with the patient. In addition, the system is expected to build a comprehensive information base to help manage and plan for laboratory service delivery, improve fiscal management of laboratory services, and provide timely utilization data to help develop best-practice guidelines for laboratory tests. The Ministry anticipates that this system will be operational in late 2005, will be fully implemented by April 2007, and will cost about $84 million. We will follow up on the implementation of this system during our next audit of Health Laboratory Services.

Payments to Private Laboratories

In the early 1990s, the Ministry and the Ontario Association of Medical Laboratories negotiated an industry cap on laboratory funding to control the rising costs of private laboratory services. A cap was applied to the entire industry beginning in the 1993/94 fiscal year based on payments made to laboratories in the 1992/93 fiscal year. Further, caps on payments to individual laboratories were implemented in the 1996/97 fiscal year. Since then, negotiated increases have been applied to the caps to reflect additional costs, resulting from, for instance, an increase in laboratory tests being ordered. In the 2003/04 fiscal year, $541 million was paid to private laboratories, with three companies receiving over 90% of these payments.

According to the 2003 BC Laboratory Services Review, the cost of providing laboratory tests has declined dramatically in the past 20 years due to improvements in laboratory technology. In addition, an inter-provincial comparison included in the review estimates that Ontario spent $90.41 per capita on laboratory services in the 2001/02 fiscal year, while the Canadian average was $77.49 per capita. Ontario had the second highest per-capita spending of all the provinces. For this study, data for hospitals, including those in Ontario, excluded overhead costs. While there may be some differences in the way jurisdictions reported their costs, Ontario's high cost per capita nevertheless highlights the need to evaluate the underlying cost of laboratory services.

The Ministry informed us that it did not know when the last comprehensive evaluation of the cost of laboratory services occurred, but stated that it was at least 10 years ago. Without sufficiently detailed information on the underlying costs of laboratory services, which may have significantly declined due to technological advances, the Ministry is unable to demonstrate that it is acquiring private laboratory services in an economical manner.

The Ministry pays private laboratories on a monthly basis for tests performed and specimens collected based on billings submitted to the Ontario Health Insurance Program (OHIP) and within the limits dictated by the laboratories' payment caps. As a condition of payment, each laboratory enters into a verification agreement with the Ministry, which allows the Ministry to examine laboratory records to ensure that laboratory services were actually performed, were authorized by a medical practitioner, and were billed correctly. The Ministry can recover any overpayments that occurred before the 1996/97 fiscal year. Subsequent to that date, any incorrect billings to OHIP—where a laboratory has overbilled for services—can only be recovered if the amount in error is greater than the difference between the total amount billed and the payment cap.

The Ministry has found billing errors, including laboratory tests that were billed without evidence that the test was either requested or performed. However, no recoveries have been made subsequent to the 1996/97 fiscal year, which is consistent with the verification agreement, because the errors found in the ministry reviews have amounted, on a yearly basis, to less than the difference between the laboratory's total billings and its payment cap.

RECOMMENDATION

To help ensure that private laboratory services are acquired in an economical manner, the Ministry should periodically determine the actual cost of providing these services and utilize this information when negotiating payments for laboratory services.

MINISTRY RESPONSE

The Ministry uses a variety of approaches to ensure that the funding agreement for private laboratory services provides both productivity improvements and value for money. These approaches include a review of the level of payments and an analysis of factors (such as population growth) that contribute to increased testing being performed by private laboratories. As well, the cost of performing roughly the same types and total overall number of tests in hospitals is used as a benchmark.

The Ministry notes that the estimated Canadian average cost per capita as reported is based on data from several provinces that exclude overhead expenditures from their costing, while Ontario's estimate includes overhead for private laboratories. This inconsistency in data collection understates the estimated average cost per capita and makes inter-provincial comparisons difficult.

The Ministry recognizes that an actual costing of laboratory services has not been conducted recently and would add an additional element of certainty to the assessment of the resources required.

WELL-WATER TESTING

The Ministry operates the province's 12 public-health laboratories, which, among other things, test well-water samples submitted by individuals in Ontario. In 2004, all of these public-health laboratories were accredited by the Standards Council of Canada based on recommendations resulting from the Canadian Association of Environmental Analytical Laboratories' assessments. The accreditation process included ensuring that certain technical requirements are met. These requirements cover such areas as quality control, testing and method validation, and management requirements like organizational structure and document controls.

There are about 500,000 private wells in Ontario. Private well owners in Ontario are responsible for maintaining the quality of their own water. According to ministry staff, the most common problem with well water is contamination from pathogens. Pathogens are organisms that can make people sick and include certain forms of bacteria (for example, *E. coli*), protozoa (tiny parasites), and viruses (for example, Norwalk). Each of these organisms can lead to different illnesses, some of which are very serious. Common symptoms of exposure to pathogens generally include diarrhea, nausea, abdominal cramps, and low-grade fevers.

To help ensure that well water is free of pathogens, individuals may submit samples of their well water for testing at the Ministry's public-health laboratories. This testing is provided free of charge and is usually completed within three days. All well-water test results are posted on the Ministry's interactive voice response system, which allows individuals to obtain their results by phoning in. In addition, individuals may choose to pick up their test results report or have it sent to them through the mail. According to ministry staff, public-health officials phone individuals whose water is found unsafe to drink. In addition, we were informed that public-health officials determine whether to notify neighbouring well owners if problems are detected in a water sample tested.

In 2004, the Ministry hired a consultant whose work included determining what it was costing the Ministry for each well-water test. Based on information in the consultant's report, we estimated that the Ministry spent about $3.7 million testing about 290,000 well-water samples, or about $13 per test.

Test Results Reporting

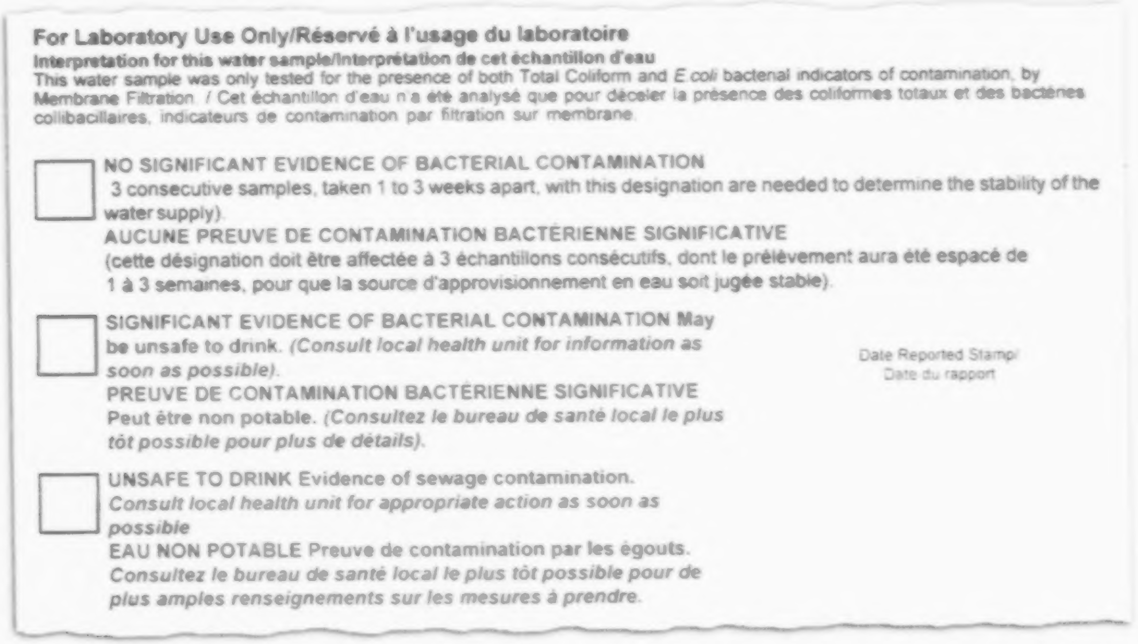
As shown in Figure 2, when a public-health laboratory tests well water for pathogens, the results are reported to the submitter as either:

- No significant evidence of bacterial contamination;
- Significant evidence of bacterial contamination. May be unsafe to drink; or
- Unsafe to drink. Evidence of sewage contamination.

The Ministry only tests well water for bacterial contamination, and although a well-water sample may not have evidence of such contaminants, the water may still be unsafe to drink due to chemical or other contamination (for instance, nitrates found in fertilizers). A 1992 study of 1,300 Ontario farm wells that was sponsored by the federal Department of Agriculture and Agri-Food Canada in partnership with the Ontario ministries of the Environment and Agriculture and Food indicated that about 15% of the wells tested contained nitrates in concentrations above the provincial drinking-water standards that existed at that time. In this regard, we noted that the Ministry's one-page report to well owners on the results of a well-water test does not advise

Figure 2: Interpretation Section of Ministry's Form for Bacteriological Analysis of Citizens' Drinking Water, Identifying Three Possible Results

Source of data: Ministry of Health and Long-Term Care



For Laboratory Use Only/Réservé à l'usage du laboratoire

Interpretation for this water sample/Interprétation de cet échantillon d'eau

This water sample was only tested for the presence of both Total Coliform and *E.coli* bacterial indicators of contamination, by Membrane Filtration. / Cet échantillon d'eau n'a été analysé que pour déceler la présence des coliformes totaux et des bactéries collibacillaires, indicateurs de contamination par filtration sur membrane.

☐ NO SIGNIFICANT EVIDENCE OF BACTERIAL CONTAMINATION
3 consecutive samples, taken 1 to 3 weeks apart, with this designation are needed to determine the stability of the water supply).
AUCUNE PREUVE DE CONTAMINATION BACTÉRIENNE SIGNIFICATIVE
(cette désignation doit être affectée à 3 échantillons consécutifs, dont le prélèvement aura été espacé de 1 à 3 semaines, pour que la source d'approvisionnement en eau soit jugée stable).

☐ SIGNIFICANT EVIDENCE OF BACTERIAL CONTAMINATION May be unsafe to drink. *(Consult local health unit for information as soon as possible).*
PREUVE DE CONTAMINATION BACTÉRIENNE SIGNIFICATIVE
Peut être non potable. *(Consultez le bureau de santé local le plus tôt possible pour plus de détails).*

☐ UNSAFE TO DRINK Evidence of sewage contamination.
Consult local health unit for appropriate action as soon as possible
EAU NON POTABLE Preuve de contamination par les égouts.
Consultez le bureau de santé local le plus tôt possible pour de plus amples renseignements sur les mesures à prendre.

Date Reported Stamp/
Date du rapport

the well owner that the water was not tested for chemical and other contaminants that may affect water quality, nor where the well owner can have such tests performed. We believe that there is a risk that individuals may assume that their water is safe to drink, when in fact it may not be. Since the form includes the category "unsafe to drink," individuals may incorrectly assume that the reverse is true when notified that their water contains "no significant evidence of bacterial contamination."

RECOMMENDATION

To help ensure that individuals are aware of all potential contaminants in their well water, the Ministry should:

- indicate that the water was not tested for other contaminants, including chemical contaminants, and therefore may be unsafe to drink even when there is no significant evidence of bacterial contamination; and
- indicate on the test results report where individuals can obtain information on having their water tested for other contaminants.

MINISTRY RESPONSE

Although the Ministry believes that the current instructions in the private-water test-collection kit and the wording of the final test report clearly state that the tests performed only relate to the presence of bacterial contamination, the Ministry will review the current information supplied with the test kit to determine if it is necessary to add an additional statement to the report advising well owners to consult their local health units if they have concerns about possible chemical contamination of their well.

Rejection of Test Samples

To have their well water tested, individuals must complete a form to accompany the well-water samples they are submitting. The form includes instructions on how to collect and submit the water samples, as well as a section the submitter must complete with basic information such as name and address, location of the water's source, and a daytime telephone number. The form specifies that all required information must be completed in full or the laboratory will not test the sample.

In 2004, the Ministry rejected about 4% or 11,900 of the well-water samples submitted because the form was not completed in full by the submitter. Water samples would not be tested if, for example, the form was missing a submitter's telephone number or postal code. Ministry management informed us that they were concerned about increasing the Ministry's exposure to liability in cases where they test well water, find it unsafe to drink, and cannot readily notify the sample's submitter. Therefore, the Ministry does not test well-water samples if the form is missing any information.

Nevertheless, the Ministry mails notices to submitters that indicate their water sample cannot be tested due to the form missing a postal code, and doing so involves the Ministry looking up the postal code in order to send the notice. Furthermore, we were informed that the Ministry would test a water sample if the submitter indicated on the form that they did not have a telephone.

Given that submitters can access their results by phone, we question the practice of rejecting samples with missing telephone numbers or postal codes. Furthermore, the delays stemming from this practice could result in people drinking unsafe water until another sample, with complete information, is submitted for testing. In fact, we noted one incident where a well-water sample was rejected due to a missing postal code, and the subsequent submission of a new sample revealed that the water contained significant evidence of bacterial contamination.

RECOMMENDATION

To better assist Ontarians in the timely identification of well water that is unsafe to drink, the Ministry should re-examine its policy of rejecting and not testing water samples due to missing postal codes and/or telephone numbers.

MINISTRY RESPONSE

Ministry staff work to ensure that the important services provided for private well-water testing are done accurately and efficiently to protect public health. An important component of the testing and reporting process involves staff having accurate information that will allow them to quickly notify submitters of adverse test results and to track and follow up with local health units and others where needed.

To fulfill these obligations, submitters, who are best placed to know their own personal information and private well location, are asked to do their part by following proper water collection procedures and completing the water requisition form accurately and completely, in accordance with the form's instructions. It clearly states that if appropriate sampling procedures are not followed or if required information is not completed on the form, the sample will not be tested.

The Ministry has reviewed its policy on acceptance of private well-water samples, including the acceptance of forms with missing or incomplete postal codes and/or telephone numbers, and concluded that the current policy of not accepting these samples supports public health. However, in an effort to raise awareness of samples that will be rejected, the Ministry will produce an information sheet to be included in the Private Citizen Drinking Water kit outlining the Ministry's acceptance criteria with the goal of reducing rejection rates.

Chapter 3
Section
3.09

Ministry of Northern Development and Mines

Mines and Minerals Program

Background

The vision of the Ministry of Northern Development and Mines is of a Northern Ontario economy and a provincial minerals sector that is healthy, competitive, and sustainable. Through the Ministry's Mines and Minerals Program/Division, which is responsible for the administration of the *Mining Act* (Act), the Ministry has responsibilities related to all phases of mining in the province, from exploration to mine development, operation, and closure. The purpose of the Act is to encourage prospecting, claims staking, and exploring for the development of mineral resources. As well, it works to minimize the impact of these activities on public health and safety and the environment, through rehabilitation of mining lands in Ontario.

The province is among the leading mineral producers in the world. The mining industry annually extracts metals and non-metals valued at approximately $5.5 billion. In 2003, mineral exploration expenditures by the private sector were $220 million. Several national and international studies estimate that each dollar spent on geoscience activities—for example, the production of geological maps—can ultimately generate $2 to $5 in exploration activity. If a mine is developed and begins production, each dollar spent could ultimately generate more than $100 in benefits to the economy. Ontario mining activities provide approximately 100,000 direct and indirect jobs.

To encourage exploration, the Ministry provides province-wide geological maps, on-line access to geoscience information, and geological advisory services in field offices throughout the province. Such geological information is used by prospectors and mining companies to help identify areas with mineral potential. The Ministry also promotes Ontario mining development opportunities in domestic and international markets. During the 2004/05 fiscal year, to carry out these and other program activities, the Ministry employed approximately 200 staff and spent $35.5 million.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had adequate procedures in place to:

- manage mineral resources to ensure that the mining sector is healthy, competitive, and sustainable;
- ensure compliance with related legislation and ministry policies; and

- measure and report on the program's effectiveness in encouraging the development and use of the province's mineral resources while minimizing the impacts of mining activities on public health and the environment and limiting the cost to the taxpayer, by ensuring that the industry rehabilitates mining sites.

The scope of our audit included discussions with ministry staff, a review and analysis of documentation provided to us by the Ministry, and research into the practices and experiences in other jurisdictions. The Ministry's Internal Audit Services Branch had not conducted any recent work on the administration of the Mines and Minerals Program that affected the scope of our audit.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The criteria used to conclude on our audit objective were discussed with and agreed to by ministry management and related to systems, policies, and procedures that the Ministry should have in place.

Summary

Due largely to the quality of the maps and advisory assistance it provides, the Ministry is generally seen by its stakeholders as contributing to the success of the mining industry in Ontario. However, the Ministry did not have adequate procedures in place to ensure compliance with legislation and its internal policies or to measure and report on its effectiveness. There are a number of operational areas that the Ministry can focus on to improve its delivery of the Mines and Minerals Program:

- To maintain a mining claim in good standing, the holder must perform certain exploration work, referred to as assessment work, and must report this to the Ministry. We found that the Ministry reviews most assessment reports for reasonableness, but this process was not sufficient to ensure that only allowable exploration expenditures were approved. As well, the Ministry had performed a detailed expenditure verification on only 31 of 5,200 reports submitted since 1999, and had carried out only one inspection of a claim site to verify that the work had actually been done. Such verification is necessary, as we noted cases where claim-holders had falsified assessment and expenditure information.
- We noted several cases where claims were forfeited because the required assessment work had not been carried out to keep the claims in good standing, and the same people who had their claims forfeited reclaimed the lands as soon as they became open for staking. A situation where a claim-holder can in effect indefinitely retain mining rights by continually reclaiming them after they are forfeited—without performing any assessment work—is contrary to the intent of the *Mining Act*.
- Geological information provided by the Ministry is used by prospectors and mining companies to select areas in which to conduct exploration work. Based on input from its clients, the Ministry determined that a mapping productivity benchmark of 20 years, or about 15,000 square kilometres a year, was a target for areas of high mineral potential to keep geological information current and relevant. However, due to difficulties in completing projects on a timely basis and to resourcing and capacity issues, from 2002 to 2008 the Ministry had mapped or planned to map only 8,000 square kilometres annually. For example, of the 46 Precambrian projects that were to be completed by December 2004, 10 were still ongoing and 15 were completed late.

In addition, the Ministry did not have a project management system to periodically report on the status of active projects.

- Before a company commences mining operations or undertakes advanced exploration, it must submit a mine-closure plan to the Ministry. A closure plan commits the owner to rehabilitate the mine site and return the site to its former state without harmful effects on the environment. However, contrary to the *Mining Act*, as of March 2005, closure plans were not in place for 18 of the 144 mine sites that were required to have them. The Ministry has actively pursued closure plans for most of these sites; however, these plans have been outstanding since 1991, when the requirement for closure plans came into effect. Without closure plans in place, the Ministry may ultimately be held responsible for mine closure and cleanup.
- The Ministry does not periodically review whether the closure-cost estimates and financial assurances are still sufficient to properly close out the mine. For example, the costs originally estimated in the closure plan for one mine were $551,000 in 1993. The plan was not filed because the owner could not provide financial assurance. Nevertheless, the mine owner significantly underestimated closure costs. Since the mine is no longer operational and the company is not able to pay closure costs, the Ministry may ultimately be responsible for rehabilitating this site, at a cost that is now estimated to be $9 million.
- At the time of our audit, the Ministry had identified more than 5,600 abandoned mine sites dating from the early 1900s. The Ministry had estimated that 4,000 of these sites were potentially hazardous to public health and safety and that approximately 250 of these sites might pose an environmental risk due to the potential for the leaching of minerals and other contaminants from mine tailings. However, the Ministry did not have adequate information on the chemical contamination that is often the by-product of mining operations. This information is necessary to assess the risk of water and soil contamination around abandoned sites.

Detailed Audit Observations

A major responsibility of the Ministry is to administer land tenure related to mining, including mining claims, leases, licences, and patents. Initially, prospectors stake mining claims that are registered with the Ministry, thereby obtaining exclusive rights to explore the land's mineral potential. Approximately 34,000 mining claims are currently active in the province. If the land has mineral potential and is to be developed, the mining claim must be converted to a lease. At present, 3,600 mining leases have been issued for renewable terms of either 10 or 21 years. Up until 1964, mining licences were also issued to permit mining primarily under water bodies. There are still 1,100 valid mining licences that are perpetual and do not need to be renewed. As well, there are 19,000 patented lands—properties that were originally granted as mining lands, properties that are used for mining purposes now, or properties where the mining rights were severed from the surface rights. Finally, when mines close, the Ministry is responsible for ensuring that the property is returned, at the mine owner's expense, to its former use or condition without harmful effects to the environment.

MINERAL EXPLORATION

Staking Mining Claims

In Ontario, properties where the Crown has retained the mineral rights and Crown lands are available to prospectors for mineral exploration. Since 1892, Ontario has employed a process that involves physically surveying and marking locations in the field to secure mineral rights for exploration and mining. A licensed prospector must first stake a mining claim to gain the exclusive right to prospect on the staked land. A claim can range in size from 16 hectares (a 1-unit claim) to 256 hectares (a 16-unit claim). As of March 2005, there were mining claims in the province for 199,000 units covering 3.2 million hectares (32,000 square kilometres).

Until recently, many Canadian jurisdictions followed the same process of physically staking mining claims. However, eight Canadian jurisdictions have now adopted a partial or full map-based claim-staking process for obtaining land for mineral exploration. With map-based selection, prospectors apply for mineral rights by selecting lands on maps that show where the unclaimed rights are available.

Jurisdictions that have adopted a map-based claim-staking process have found it to be a more effective and efficient method of administering mining claims. In October 2004, the Minister's Mining Act Advisory Committee also noted a number of potential benefits of a map-staking system: availability to worldwide clients; less dependency on physical access to the area of staking; lower costs of acquiring the land, especially in the Far North; significant reduction in boundary disputes and administration; and increased investment opportunities.

Disputes regarding boundaries and the validity of a mining claim consume significant ministry staff resources and can take many months to resolve. Some of this effort is avoidable. For example, of the 61 disputes in Ontario since 2001, we found that 27, or 44%, could have been avoided if a map-staking system were in place. The Ministry informed us that the benefits of map staking must be considered in conjunction with the costs required to implement such a system and the loss of jobs for those who currently survey and physically stake mining claims. We were also informed that ministry staff had considered testing map staking in Southern Ontario to determine its benefits. At the completion of our audit, the Ministry had not made any further determination regarding map staking in Ontario.

RECOMMENDATION

To more efficiently and effectively manage the mine claim-staking system, the Ministry should assess the costs and benefits of a map-based staking system and consider implementing such a system in Ontario.

MINISTRY RESPONSE

The Ministry is working on an overall mineral development strategy for Ontario and, as part of this process, will evaluate the costs and benefits of a map-based staking system.

Mining-claim Assessment Work

In Ontario, a mining claim gives the claim-holder a right to explore land for minerals. To maintain a claim in good standing, the holder must perform certain exploration work, referred to as assessment work, and must report this to the Ministry for approval. The claim-holder must perform at least $400 worth of assessment work annually for each unit (16 hectares) within the claim. Failing to carry out this work could result in forfeiture of the claim. This requirement helps to achieve one of the primary purposes of the *Mining Act*—to encourage exploration for the development of mineral resources in Ontario, as opposed to prospectors staking claims without any further work being done.

The Ministry has three assessment officers who review assessment work reports submitted by claim-holders. Assessment reports include descriptions of the assessment work done and expenditures, which, if they are eligible, are credited to the claim as assessment work. Some of the most common expenditures that are acceptable for assessment credits are those that cover the cost of geological surveys, exploratory drilling, mineral analysis, contractors, equipment rental, and supplies. Expenditures that are not eligible for credits include those relating to asset purchases and repairs, travel incurred outside Ontario, road construction and maintenance, and the building of any physical structures.

During 2004, the Ministry received more than 1,000 assessment reports, with $65 million in expenditures submitted for assessment credits. We reviewed the assessment process and noted that the Ministry assessed most of the reports submitted for reasonableness by comparing reported expenditures to industry standards. The Ministry often requested additional information, and, if an acceptable response was not received, it reduced the allowable assessment credits. However, we found that this process was not sufficient to ensure that only allowable expenditures were approved for credit. Specifically, we noted the following:

- Under the *Mining Act*, the Ministry has 90 days from receipt of a work report to reject the costs submitted or request an expenditure verification; otherwise, the expenditures are deemed to be approved for assessment credits. We found that, while most assessment reports were reviewed within the 90-day period, typically 25 to 40 reports per year were deemed approved without review. We reviewed a sample of these reports and found that several files contained unreasonable costs or had insufficient technical data provided by the claim-holder to comply with the work-assessment requirements.
- Although the Ministry reviews most assessment work reports for reasonableness, few files were selected for detailed expenditure verification, which requires a thorough review of the original invoices and other supporting documentation. Based on information provided by the Ministry, of the 5,200 assessment reports received since 1999, only 31 files, or half of 1%, were selected for detailed expenditure verification. The Ministry selected most of these files because the expenditures claimed appeared unreasonable, and, after review, the Ministry disallowed $350,000 of the reported assessment work. Without a process in place for thoroughly verifying a reasonable sample of claims, the Ministry does not have adequate assurance that the expenditures reported on claim assessments were actually incurred.
- The *Mining Act* allows the Ministry to charge a claim-holder with an offence for making false statements on work-assessment reports, and, upon conviction, the claim-holder is liable to a fine of not more than $10,000. Until 1997, the Ministry inspected claims and work assessments in the field by evaluating work performed relative to work reported. Since 1999, however, the Ministry has carried out only one inspection and found that the work outlined in the assessment report had not been performed. Although the individual's claims were cancelled, the claim-holder was not charged under the *Mining Act*. In our sample, we noted two other cases where the claim-holders had altered laboratory certificates or geologist reports and submitted these for work-assessment credits. We were informed that assessment credits can be reduced in such cases. However, if sanctions are limited to the reduction of credits, the deterrent effect of inspections and prosecutions is reduced.
- We noted several cases where claims were forfeited because no assessment work had been carried out to keep the claims in good standing, and the same people who had their claims forfeited reclaimed the lands when they became open for staking. In three cases, the claim-holder reclaimed the same forfeited land twice without performing any assessment work. In such cases, the claim-holder can retain the claim for six years before the claim is again forfeited. A situation where a claim-holder can in effect indefinitely retain mining rights by continually reclaiming them after they are forfeited—without performing any assessment work—is contrary to the intent of the *Mining Act*.

RECOMMENDATION

To ensure that holders of mining claims are actively prospecting and exploring land for the development of mineral resources, the Ministry should:

- develop procedures to ensure that all assessment files are reviewed for reasonableness;
- review the adequacy of the number of files selected for detailed expenditure verification and consider implementing a random selection process;
- assess whether the current level of inspections and prosecutions provides an effective deterrent to filing false information to retain mining rights; and
- consider disqualifying holders of forfeited claims from re-staking the same land until an appropriate period of time has passed.

MINISTRY RESPONSE

While most assessment reports are reviewed within the required 90-day period, we will review our processes and develop procedures to ensure that all reports are reviewed for reasonableness within the 90-day requirement.

As noted by the Auditor General, the Ministry often requests additional expenditure verification information, which is reviewed for assessment credits. If the requested information is not received or the review determines that the work is unreasonable, the Ministry will grant assessment credits based on industry standards. The development of industry standards for exploration work and staff's proactive approach with clients on work-report submissions have resulted in fewer submissions that appear problematic. Nevertheless, the Ministry will develop a process for detailed expenditure verification, which will include, for example, the selection of random or targeted files, to supplement its normal expense verification process.

The Ministry has designed a range of deterrent measures to help prevent falsification of assessment information and expenditure reporting. These measures include the reduction and/or loss of assessment credits, the revocation or suspension of a prospector's licence, and, in some cases, the loss of the stakeholder's mining claim. These measures have been found to be very effective. However, the Ministry will review its current level of inspections and prosecutions to ensure effectiveness in deterring the filing of false information.

The Ministry will conduct a review of the number of claims being re-staked without assessment work being done to determine the scope of the problem, measure the risk of this issue, and develop a business case for follow-up.

Ontario Geological Survey

The Ontario Geological Survey (OGS), a branch in the Mines and Minerals Division, has 130 staff who are responsible for collecting, interpreting, and disseminating geological, geochemical, and geophysical data. The OGS uses this information to provide consultation and advisory services to assist the industry in mineral exploration and development. Approximately 25 OGS staff produce site-specific maps to support mineral exploration by identifying areas of high mineral potential.

With current mineral reserves being depleted faster than new deposits are being discovered, there is a need for reliable and timely geological information to enable the industry to meet the challenge of finding new mineral deposits. A consultant who evaluated the OGS in 2003 noted that the development of high-quality geological data has the greatest positive impact on enhancing economic performance in the mining industry. The economics of the mining industry are currently very favourable, as international demand for minerals and commodity prices are high and are expected to remain so for at least several years. The Ministry recognizes that without relatively timely geological information and maps, potential mining exploration investments could be diverted to other mining jurisdictions.

Geological Mapping

Geological maps and reports produced by geological surveys are fundamental information sources used by prospectors and the mining industry to select mineral exploration targets. The Ministry's geological reports and maps of varying scales are produced from data—collected by direct observation—on the attributes, characteristics, and relationships of rock and sediments. A mining industry survey noted that the Ministry's geological maps are of good quality and very useful as a starting point for exploration.

Ministry guidelines suggest that, to map all areas of significant mineral potential in a timely manner, a 20-year mapping cycle is required and an estimated 15,000 square kilometres would need to be mapped annually. However, the Ministry did not have an overall mapping plan in place demonstrating that mapping 15,000 square kilometres annually would be sufficient to complete the mapping of all areas of significant mineral potential over the next 20 years.

We found that from 2002 to 2004, the Ministry had annually mapped approximately 8,000 square kilometres of land. The Ministry's mapping target for the next three years, ending in 2007/08, is also 8,000 square kilometres annually. Based on current and planned levels of activity, the Ministry will not map all areas of significant mineral potential during the next 20 years. The Ministry informed us that it did not have the resources to map 15,000 square kilometres annually without compromising the quality of its maps and geological data. The Ministry needs to assess its current performance in providing high-quality geological maps on a timely basis and thoroughly assess the costs and benefits of an enhanced mapping program.

Project Selection

The geological mapping selection process begins with the submission of proposals originating from industry stakeholders and ministry staff. A proposal is evaluated according to selection criteria—its suitability with respect to ministry priorities, the feasibility and appropriateness of the study area, the potential for economic investment in mineral exploration, and the availability of staff with the skills necessary to complete the project. Once project proposals are selected, they are ranked in order of priority and added to the annual work plan.

In response to a recommendation from our 1987 audit of the Mines and Minerals Program, the Ministry committed to the development and implementation of a formal system for project selection, with improved information for managers. During our current audit, we reviewed the Ministry's project-selection and priority-setting process and were advised that projects were evaluated against selection criteria, but we noted that documentation outlining the rationale for selection or rejection of a project was not maintained.

After evaluating project proposals, the Ministry produces a ranking of accepted projects, but we found that the highest-ranking projects were not always the ones undertaken. Again, there was insufficient documentation to explain why this was the case. The Ministry informed us that because of limited staff resources with the required skills, some projects could not be carried out. For example, over the past two years, 72 project proposals were approved, but, due to limited resources, 33 of the projects could not be undertaken.

Project Management

Subsequent to our 1987 audit of the Mines and Minerals Program, to prevent delays in completing projects, the Ministry committed to preparing periodic reports on the status of all work in progress. Such reports were to help monitor the mapping process by highlighting project delays, reasons for any delays, and the steps that would be taken to get projects back on schedule. However, we found that the Ministry did not have an overall project management system in place and was still not preparing periodic reports on the status of its mapping projects.

We were advised that project monitoring was carried out as part of the individual geologist's annual performance appraisal. Consequently, to assess the status of mapping projects, we requested that the Ministry prepare and provide us with information on the current status of projects for the past three years, up to December 2004. From this information, we noted that many projects were not being completed on a timely basis.

The list of projects for the Precambrian Geoscience Section included all those projects that were ongoing or completed in the past three years. This section is responsible for the geological mapping of the bedrock and mineral resources of the Precambrian Shield. Of the projects listed, 46 were scheduled to be completed by December 2004. At the time of our audit, 10 of these projects were still ongoing and were, on average, 24 months behind the scheduled completion dates. In addition, for the 36 projects that were completed by December 2004, 15 were completed late. We could not determine the full extent of the delay because the necessary information was not readily available. However, we were able to calculate that, excluding the project with the longest delay—which was nine years—the average publication date was 16 months after the scheduled completion date. We were informed that raw data and other components of a project may be released prior to project completion. The Ministry also noted that the reasons for the delays included shifting priorities, problems encountered by a partner leading the project, and having to wait for peer reviews.

We also reviewed the status of projects initiated by the Sedimentary Geoscience Section. This section is responsible for mapping more recent geological areas of high mineral potential. The section listed a number of projects that were ongoing or completed in the past three years. Seventy-five of these projects were to be completed by December 31, 2004. We noted that over 90% of these projects were completed on time, and only six projects were overdue or completed late. The average delay for the overdue and late projects was nine months.

RECOMMENDATION

To ensure that the Ontario Geological Survey provides, in a timely manner, the geological maps that are essential to encouraging mineral exploration in the province, the Ministry should:

- assess the costs and benefits of a program that would achieve the mapping of all areas of significant mineral potential within the recommended 20-year cycle and, based on this review, develop an overall mapping plan;
- enhance its process for project evaluation and selection to include appropriate documentation and assessment of the availability of the financial and staff resources necessary to complete the projects; and
- develop a project management system to better monitor the status of projects, help ensure that projects are completed on a timely basis, and enable timely action where projects are falling significantly behind.

MINISTRY RESPONSE

The Ontario Geological Survey (OGS) agrees to assess the costs and benefits of geoscience mapping programs that would achieve the mapping of all areas of significant mineral potential within a 20-year cycle. However, given that the implementation and success of such programs are resource and capacity dependent, the 20-year mapping cycle will remain a benchmark rather than an absolute target.

Current OGS operational plans have three-to-five-year mapping plans for areas based on client priorities and recommendations from the OGS Advisory Board. These work plans are reviewed annually by the OGS Advisory Board to ensure that client and stakeholder needs are being met.

The spring 2005 Ontario Budget included a three-year, $15-million initiative to undertake geological mapping in the Far North to supplement OGS mapping activities. Criteria for ensuring that mapping projects take place in priority areas are being developed by the Ministry with First Nations and mineral industry input. Resource limitations always impact on the Ministry's ability to undertake more comprehensive mapping of Ontario's geological base, but increased resources, such as those provided through add-on programs like the Far North initiative, will allow for an increase in the area being mapped.

The OGS agrees that project selection decisions should be more rigorously documented within the existing project evaluation and selection system. The specialized skills and financial resources that are required to undertake a project are part of the project evaluation system. However, as noted by the Auditor General, some projects are routinely conducted through partnerships with other groups and agencies, including the federal government and academia, as well as through private-sector/municipal collaborations, where the Ministry does not have ultimate control over timelines. Nevertheless, the Ministry will review the existing project evaluation system to identify procedures for improving documentation and controls.

With the current project management information system, targets and deliverables are reviewed through the staff performance development planning process. The Ministry will review the existing system to identify measures to improve overall project documentation and controls.

Investment Marketing

The Ministry's Information and Marketing Services Section administers trade and investment activities and is responsible for promoting mineral development opportunities in Ontario. The Ministry has only two staff dedicated to marketing activities, and it funds operating expenditures of $50,000 a year in addition to $100,000 provided by the Ministry of Economic Development and Trade.

The Ministry's draft investment marketing strategy notes that the mining and exploration sectors are flourishing international industries where political and geographic boundaries are no longer impediments to investment opportunities. The strategy further states that this has created a competitive situation, with jurisdictions throughout the world undertaking aggressive marketing campaigns to attract an increased share of the global mining investment pool. In addition, the Ontario Geological Survey Advisory Board, made up of industry representatives, confirmed that there is considerable opportunity for the Ministry to take a more aggressive approach to marketing Ontario mining opportunities internationally, with an emphasis on attracting new sources of mining investment and encouraging international mining companies to explore in Ontario.

We determined that the Ministry's marketing efforts were substantially limited to participation in a number of investment attraction events, such as domestic trade shows, symposiums, and conferences. The Ministry's draft investment marketing strategy proposed participation in international trade missions and a print media advertising campaign. However, we were informed that, due to fiscal constraints, the Ministry had not carried out these and other elements of its marketing strategy. The Ministry has relied on the efforts of the Ministry of Economic Development and Trade to promote Ontario's mining prospects internationally.

The Resident Geologist Section of the Ontario Geological Survey has a number of local offices throughout Ontario that monitor and facilitate exploration for mineral resources by providing expert geological consultation and advisory services. This section maintains a database of investment leads that includes the method of contact, work generated from the lead, and the mineral commodity of interest. We were advised that information on investment leads is not always followed up on, and, due to time and resource constraints, the database does not contain complete information on the investments generated. Such information would be useful in assessing the effectiveness of the Ministry's efforts to promote domestic and foreign investment in Ontario's mining industry.

The Ministry's draft investment marketing strategy outlines a number of potential initiatives and the costs associated with each. However, the plan outlines the expected benefits in very general terms. A key to achieving success with its marketing effort is to ensure that there is an adequate analysis of potential investment opportunities and a thorough evaluation of marketing initiatives including actual successes and demonstrated benefits. Without adequate feedback on strategies that successfully market Ontario as a good place to invest, it is difficult for the Ministry to develop a focused marketing plan to attract investment into Ontario's mining industry.

RECOMMENDATION

To enhance the province's attractiveness as a mining investment jurisdiction and help facilitate domestic and foreign investment in the mining industry, the Ministry should:

- review the marketing strategies employed in other jurisdictions to help determine the potential costs and benefits of an expanded marketing program for Ontario;
- assess the feasibility of enhancing its investment leads database to help improve its investment marketing efforts; and
- develop an investment marketing plan that includes a full analysis of the costs and expected benefits of the proposed initiatives.

MINISTRY RESPONSE

The Ministry agrees that cross-jurisdictional benchmarking and a review of marketing strategies in other jurisdictions would be beneficial in determining the scope and thrust of the Ministry's marketing plan. Such a review will be undertaken to determine the potential costs and benefits of an expanded marketing program in Ontario. In addition, as part of a multi-sectoral marketing approach, the Ministry is working closely with the Go-North Investment team, a new initiative to market the North's inherent strengths, announced by the Ontario government in its spring 2005 Ontario Budget.

The Ministry supports the recommendation to assess the feasibility of enhancing its investment database. Currently, the database is used by the Ontario Geological Survey to document mineral-sector investment attraction. The database will be reviewed to enhance the investment information available.

The Ministry analyzed the costs associated with its international and domestic investment marketing plans in its investment marketing strategy. Implementation and delivery of these plans will be dependent on the resources available. The Ministry will continue to improve its methodologies and procedures for monitoring and documenting both the short- and long-term impacts of its marketing initiatives.

Investment Incentive Programs

Over the past several years, the Ministry has introduced a number of programs to promote mineral investment and development opportunities in Ontario. These programs are designed to expand and improve Ontario's geoscience infrastructure by uncovering new mineral exploration targets and helping mining companies develop advanced technologies for mineral exploration. We reviewed two of these programs—Operation Treasure Hunt and the Ontario Mineral Exploration Technologies Program.

Operation Treasure Hunt was established in 1999 to provide additional funding to the Ontario Geological Survey to perform geophysical and geochemical surveys. This additional work was expected to produce geological data and information to help identify new targets that would attract mineral investment and stimulate mineral exploration in Ontario. The Ministry spent a total of $29 million on Operation Treasure Hunt. In 2002, after the program ended, the Ministry commissioned a survey of prospectors, exploration geologists, and exploration managers. The results indicated that the mining industry was generally satisfied with the program, and anecdotal evidence suggests that there was an increase in mineral exploration. However, there was no assessment of how successful the program had been in increasing mineral investment and exploration in Ontario.

The Ontario Mineral Exploration Technologies Program was initiated in 2000, ran for four years, and was administered jointly by the Ministry and Laurentian University. The program provided funding to develop new technologies and methods to enhance the efficiency of exploration. The ultimate goal was to attract new exploration investment to help maintain Ontario's status as a favourable mining jurisdiction. The Ministry spent a total of $8 million on the program. The Ministry established performance measures for the program, including the percentage of funds leveraged on program investments, the number of technical products disseminated to the public, and the number of organizations that used the information or technology developed. However, these performance measures do not assess the program's ultimate goal of attracting new exploration investment to Ontario. The Ministry needs to better monitor the long-term impact of such programs to assess the success of the program and provide useful information for possible future initiatives.

RECOMMENDATION

To help achieve the full benefits of its investment incentive programs, the Ministry should ensure that the success of each program in achieving its goals is evaluated so that this information will be available in planning future incentive initiatives.

MINISTRY RESPONSE

Mechanisms for measuring the impact of investment incentive programs, such as Operation Treasure Hunt (OTH) and the Ontario Mineral Exploration Technologies (OMET) program, have been employed. In the case of OTH, an external assessment with respect to investment impacts was conducted, and in the case of OMET, targeted evaluation is currently underway with the support of the program director from Laurentian University.

Monitoring of investment attraction will be undertaken with respect to the new three-year, $15-million Far North Geological Mapping Initiative that was announced in the spring 2005 Ontario Budget.

ENVIRONMENTAL PROTECTION

Ontario's Living Legacy

In 1999, the government announced Ontario's Living Legacy, which was a land-use strategy to help ensure the long-term health of the province's natural resources. Ontario's Living Legacy, a responsibility of the Ministry of Natural Resources, created 378 new provincial parks and protected areas totalling 2.4 million hectares. However, many of the resulting protected areas overlapped pre-existing mining lands (claims, leases, and licences). These overlapping areas were designated as forest reserves to allow mining activity and access to the lands to continue. The intention was that, following exploration, mining, and rehabilitation, portions of land designated as forest reserves would be added to the adjoining or surrounding protected areas.

When Ontario's Living Legacy was approved, 85,000 hectares of staked mining land, designated as forest reserves, were within or adjacent to newly protected areas. Between 1999 and 2002, two-thirds of these staked mining claims lapsed and will not be made available for future claims staking. For the remaining lands, the Ministry, along with the Ministry of Natural Resources and key stakeholder groups, began working on a disentanglement process. The key stakeholders were asked by the ministries to propose solutions, and, in July 2003, recommendations were made to resolve the status of most of the remaining mine lands. As of the time of our audit, those recommendations had not been implemented.

Based on the most recent information available, there were 66 areas of mining lands, covering 29,000 hectares, being reviewed; they contain 634 claims and 179 leases. The Ministry informed us that there are currently no mines operating on any of these lands. However, it has been six years since the protected areas and forest reserves were established. Without a resolution regarding the status of mining rights within these areas, there could be a negative impact on the economic stability of the areas. Such uncertainty is a strong deterrent to exploration investment. In addition, the Ministry is faced with lawsuits and notices of claim totalling $4.6 million because of lost economic opportunity by persons holding mining rights within or adjacent to the newly protected areas.

Some of the protected areas contained critical habitat for fish, wildlife, and other vulnerable natural resources, such as species at risk of extinction. Neither the Ministry nor the Ministry of Natural Resources is monitoring the mining lands within and adjacent to these protected areas to ensure that any exploration or future mining activities have little or no impact on the natural resources that are being protected. Any environmental damage would be contrary to the purpose of Ontario's Living Legacy and the *Mining Act*, which requires that mining activities be carried out in such a manner as to minimize the impacts on the environment.

RECOMMENDATION

To help balance the economic benefits of mining activities with the protection of the environment, the Ministry should:

- **resolve the status of the remaining mining lands designated as forest reserves within and adjacent to protected areas; and**
- **work with the Ministry of Natural Resources to ensure that any mining activities within**

designated areas take into consideration the protection of any known environmentally sensitive natural resource.

MINISTRY RESPONSE

The status of the remaining lands designated as forest reserves within Ontario's Living Legacy (OLL) has been resolved, pending final public input as part of the site regulation process on the proposed solutions for the remaining 66 OLL sites. The Ministry of Natural Resources administers the OLL site regulation process, and it is continuing to work through this process.

The protection of the natural environment on Crown land and forest reserves is governed by numerous pieces of provincial and federal legislation, such as the *Public Lands Act*, the *Lakes and Rivers Improvement Act*, the *Fisheries Act*, the *Navigable Waters Protection Act*, and the *Mining Act*. The responsible provincial and federal regulatory ministries and agencies carry out monitoring and enforcement. The Ministry's involvement and responsibilities are triggered at the advanced exploration stage of the mining sequence, and measures will be in place through the *Mining Act* to address and mitigate any issues or concerns raised with respect to protecting the natural environment within forest reserves.

Rehabilitation of Operating Mines

The *Mining Act* requires that all mines be rehabilitated so that the site is restored to its former condition or is made suitable for a use that the Ministry sees fit. Mining activities can cause significant impacts on the environment, potentially affecting groundwater and surface water, aquatic life, vegetation, soil, air quality, wildlife, and human health. To mitigate these environmental risks and reduce the financial burden on the public to clean up such sites, the Ministry is responsible for ensuring that mine sites in Ontario are developed, operated, and closed in accordance with sound environmental practices. To help accomplish this, the Ministry reviews mine-closure plans, monitors and inspects rehabilitation work, and obtains financial assurance to cover the related closure costs.

Mine-closure Plans

Before a company commences mining operations or undertakes advanced exploration, it must submit a closure plan to the Ministry. Regulation 240/00 under the *Mining Act* outlines a comprehensive list of information that is required in a closure plan, including details on the progressive rehabilitation measures that are to be taken throughout the life of the project as well as at closure. This information is to be certified by the mine owner's noting that the closure plan complies with the *Mining Act* and that the owner relied on qualified professionals in preparing the closure plan. An owner who has filed a certified closure plan is bound by the *Mining Act* to comply with the plan. Subsequently, the Ministry can monitor mining activity for compliance with the plan.

Based on information provided by the Ministry, there were 144 mines for which a closure plan should have been in place. As of January 2005, the Ministry had received and filed 126 closure plans. The Ministry's review process for closure plans begins with a basic screening to ensure that there are no obvious deficiencies and that sufficient financial assurance has been received. The plan is then posted on the Environmental Bill of Rights registry to obtain the public's input. The plan is also widely distributed for input to several organizations, including other Ontario ministries and the local municipality. The Ministry then performs a more detailed review of the plan to verify that all the required components of the plan are included. Finally, all input is reviewed and a decision is made to file the plan or return the plan for revision or refiling.

As of March 2005, contrary to the *Mining Act*, closure plans were not in place for 18 mine sites. Sixteen of these mines are no longer in operation. A closure plan had been received for 12 of these mines, but the plans were returned with a request for revisions or for the provision of adequate financial assurance. In four other cases, the Ministry had negotiated the receipt of closure plans from new owners of the mine sites. One mine owner was not requested to submit a plan, and another was charged with and convicted of failure to submit a closure plan. Although the Ministry has actively pursued closure plans for most of these sites, these plans have been outstanding since 1991, when the requirement came into effect. Without closure plans in place, the Ministry does not have detailed rehabilitation specifications certified by qualified professionals. Consequently, the Ministry cannot adequately monitor the site for compliance to ensure that the site is maintained and rehabilitated in an environmentally responsible manner.

In accordance with the *Mining Act*, the entire closure-plan review process must be completed by the Ministry within 45 days, which is an extremely short time frame, given the complex nature of many closure plans and the numerous steps required to process these plans. We reviewed this process and found that documentation was inconsistent. Some files detailed the assessment of each mandatory requirement; however, for most files, documentation of the review process was minimal. The implementation of a standardized review process with supporting documentation, such as a checklist of the requirements, would assist ministry management in ensuring that all the required steps in the review process were completed.

Rehabilitation Monitoring and Inspection

The Ministry has two mine-rehabilitation inspectors monitoring the activities of mining operations to determine the nature and extent of any existing or potential mine hazards. They also inspect any work related to rehabilitation to ensure that it is completed according to the approved closure plans. All rehabilitation work is to be carried out in accordance with the standards, procedures, and requirements of the Mine Rehabilitation Code of Ontario as detailed in Regulation 240/00 under the *Mining Act*.

We reviewed the Ministry's monitoring and inspection of ongoing mine-rehabilitation and mine-closure activities. We found that the Ministry's inspections had identified significant concerns—for example, physical hazards and the leaching of minerals into the environment. These concerns were communicated to mine owners for corrective action; in some cases where problems were not resolved, additional actions were taken, including prosecution. However, we noted a number of areas where the monitoring and inspection process could be improved:

- A ministry report indicated that more than 200 inspections or site visits had been performed over the past five years. However, we noted that the Ministry's list of the work that had been done was neither accurate nor complete. An accurate list of inspections and site visits is a valuable tool to enable management to monitor overall inspection activity.
- The Ministry informed us that it attempts to inspect every site over a two-to-three-year period. We noted that, based on the information provided, almost half the sites had not been inspected in the past five years.
- The Ministry employed an informal risk-based approach to selecting mine sites for inspections. A more formal approach would ensure that all sites are inspected at least once over a specified time frame and that inspection efforts are directed to those sites that pose the greatest risk to public health and safety and the environment.

Figure 1: Financial Assurance for Mine-closure Plans, March 2005

Source of data: Ministry of Northern Development and Mines

Type of Financial Assistance	# of Plans Having Predominantly This Type	# of Plans Having Fully or Partially This Type	Total Assurance ($ 000)
corporate financial test	17	17	585,123
letter of credit	65	65	122,296
sinking fund	8	19	15,360
cash	31	38	14,466
surety bond	3	3	6,440
pledge of assets	1	8	5,993
letter of guarantee	1	1	27
Total	**126**	**151**	**749,705**

- Inspection documentation needs to be improved to demonstrate to ministry management that inspections have considered all the requirements of the Mine Rehabilitation Code. In addition, there was insufficient evidence that all the concerns noted during inspections were followed up on and resolved.

Financial Assurance

Since mining activities can have a significant impact on the environment, companies are required to provide the Ministry with financial assurance to ensure that if they are unable or unwilling to clean up a site after mining activities cease, sufficient funds are available to restore the site to a suitable use. There are several different types of financial assurance allowed by the *Mining Act*. Figure 1 shows the main type of financial assurance associated with each of the 126 approved closure plans and the total amount provided for by each type.

Prior to filing closure plans, the Ministry reviews the plans for completeness and verifies that the required financial assurances have been received. It does not, however, assess or verify projected estimates of closure costs for which the financial assurances are made, since doing so for each plan would require a high level of technical expertise. Regulation 240/00 under the *Mining Act* makes it the responsibility of the mine owner to certify that the amount of financial assurance provided for in the closure plan is adequate and sufficient to cover the cost of rehabilitation. No independent corroboration is required. Consequently, the Ministry has little evidence to substantiate the sufficiency of the financial assurances provided. For example, the costs originally estimated in the closure plan for one mine were $551,000 in 1993. The plan was not filed because the owner could not provide financial assurance. Nevertheless, the mine owner had significantly underestimated closure costs. Since the mine is no longer operational and the company is not able to pay closure costs, the Ministry engaged a consultant in 2004 who estimated the closure costs to be $9 million. The Ministry may ultimately be required to rehabilitate this site at the taxpayers' expense.

In addition, the Ministry does not have a process for periodically reviewing the original closure-cost estimates during the life of a mine to assess whether the estimates and financial assurances are still sufficient to properly close out the mine. We noted that other jurisdictions require that the amount of financial assurance be reviewed annually and, if necessary, adjusted to reflect any changes. Without a periodic review of closure costs, financial assurances provided may be inadequate, and this could result in a potential liability for the taxpayer.

We reviewed the various forms of financial assurance provided to the Ministry. We found that ministry staff endeavoured to collect and maintain adequate financial assurances. We also noted that, while there is little risk associated with cash, letters of credit, surety bonds, and letters of guarantee, the other forms of financial assurances received may be inadequate to cover rehabilitation costs should a company be unable or unwilling to fulfill its cleanup responsibilities. Specifically, we noted the following:

- Companies whose bonds are rated Triple B or higher meet the financial test established in the *Mining Act* and do not have to provide financial assurance. We were informed by the Ministry that Ontario is the only province in Canada that accepts the corporate financial test form of assurance, which constitutes the major portion of total financial assurance provided. This form of financial assurance essentially amounts to self-assurance.

  A consultant hired by the Ministry in 1996 to review self-assurance found that the risks associated with granting such a privilege to a mining company are considerable because the Ministry is effectively assuming the status of an unsecured creditor. Any failure of these mining companies could mean a significant liability for the province. Also, it could be difficult to obtain another form of financial assurance once a company is experiencing financial difficulty and can no longer meet the financial test. We noted that one mining company with a Triple-B rating, which was required to provide financial assurance for over $94 million, had been placed on a credit watch by one of the credit rating services since September 2004. Its status had not changed at the completion of our audit. The Ministry was monitoring the company's credit rating to ensure that it continued to meet the financial test.

  Experience in other jurisdictions has shown that mining companies that have gone bankrupt continued to meet the financial test right up to the time they filed for bankruptcy protection. Because significant mine-rehabilitation costs are being borne by governments after companies that offered self-assurance have gone bankrupt, some jurisdictions have eliminated the use of self-assurance. For example, the Bureau of Land Management in the United States has not accepted any new corporate self-assurance since 2001.
- We reviewed the 19 companies that pay financial assurance into a sinking fund (that is, a certain amount of funds are deposited periodically), including the eight companies that pay into a sinking fund as their predominant form of financial assurance. We found that most of these companies had paid into the sinking fund as required. However, four companies had gone bankrupt without having paid about $600,000 into the fund. Consequently, the Ministry may have to assume some of the rehabilitation costs for the mines involved.
- Companies may pledge assets, such as mining equipment, as financial assurance. We noted that assets had been pledged for eight closure plans, including the mine where assets were the predominant form of financial assurance. We noted that, for half of these plans, the Ministry obtained an independent appraisal of the assets. However, the Ministry did not verify that the companies owned the assets and that they were not already pledged for some other security interest. Nor did the Ministry periodically determine whether the assets still existed and had sufficient value to cover the closure costs. In 2002, the Ministry requested a re-evaluation of the assets pledged for one mine and requested being given first-ranking security for these assets, noting that this is a normal precaution where assets are used as collateral. At the time of our fieldwork, the mine owner had not complied with this request.

RECOMMENDATION

To help ensure that all mining lands are rehabilitated so that each site is restored to either its former condition or another suitable use and that sufficient funds will be available to finance the cleanup, the Ministry should:

- ensure that closure plans are in place for all mine sites as required by the *Mining Act*;
- implement a standardized review process to ensure that all the requirements for closure plans are completed;
- develop a risk-based approach to its mine-rehabilitation inspection process, keep accurate records of all inspections performed, and enhance inspection documentation to demonstrate that all applicable Mine Rehabilitation Code requirements have been met;
- review periodically whether the closure-cost estimates and financial assurances are still sufficient to properly close out the mine; and
- evaluate the adequacy of the current forms of self-assurance to mitigate the risk that the taxpayer will have to pay to clean up mine sites.

MINISTRY RESPONSE

It has been 10 years since major policy changes were made that affected the mine-closure plan process. The Ministry is therefore reviewing the process as part of its overall stewardship of mineral resources in the province. In this regard:

- The Ministry will pursue all legal avenues to ensure that closure plans are in place for all mine sites as required by the *Mining Act*.
- While the Ministry has a review process, we will work to improve standardization and documentation of the process to ensure that the requirements for closure plans are completed.
- The Ministry will improve its existing risk-based approach to its mine-rehabilitation inspection process. In addition, we will enhance the documentation for inspections performed.
- Closure-cost estimates and financial assurances will be reviewed periodically to ensure that they are still sufficient to properly close out the mine site.
- Ontario is the only jurisdiction using the multiple investment-grade bonds rating approach. We agree that the financial tests used in other jurisdictions have proven to be flawed. We will continue our practice of closely monitoring companies to ensure conformance with existing legislative requirements.

Abandoned Mines Rehabilitation Program

Ontario has had a long history of mining, with the result that some of Ontario's abandoned mine sites are more than a century old. Ownership of many of these sites has reverted to the Crown, and they have not been closed out in a manner that meets today's environmental standards. To address public safety and environmental concerns, the Ministry introduced the Abandoned Mines Rehabilitation Program in 1999. The program provides funding for technical assessments and rehabilitation work to restore these sites. The rehabilitation carried out under the program will enhance the availability of green space, protect wildlife habitat, and return previously hazardous and polluted lands to reasonable and productive uses. Since 1999, $48 million has been spent to rehabilitate abandoned mine sites.

Abandoned Mines Information System

The Ministry's Abandoned Mines Information System contains basic data on all known abandoned and inactive mine sites located on both Crown and privately held lands within the province. Information stored on each mine site includes site name, location, period that the site was active, mine features known to be located on the site, known hazards and their level of protection, inspections performed, and any remedial action taken. At the time of our audit, the system had information on more than 5,600 abandoned mine sites containing over 16,000 mine features, such as mine shafts, buildings, equipment, and tailings (the waste produced by the mining or refining process). The Ministry estimates that 4,000 of these mine sites are potentially hazardous to public health and safety, and that approximately 250 of these sites may pose an environmental risk due to the potential for the leaching of minerals and other contaminants from mine tailings.

In 1993 and again in 2000, the Ministry hired consultants to perform site assessments for all the known abandoned mine sites. The main objectives of these assessments were to provide information on each site's location, access, and ownership, along with a description of the physical mine hazards at each site. However, about half of the 3,800 site assessments done in 2000 had still not been entered into the system. In addition to being incomplete, the system does not contain information on chemical contamination, which is often a byproduct of mining operations. Such information is necessary to manage abandoned mine sites so as to ensure that precautions are taken to prevent contamination of the environment through a natural process, such as erosion.

Prioritizing Abandoned Mines for Rehabilitation

The Ministry attempts to rehabilitate abandoned mine sites based on their potential impact on public health, public safety, and the environment. We noted that the rehabilitation of abandoned mines has generally been reactive, responding to public complaints or dealing with an emergency when environmental degradation occurs at an abandoned mine. In the early 1990s, the Ministry developed a system to help set priorities and rank abandoned mine sites according to the greatest need for rehabilitation. The Ministry discontinued this system in 1996 since it did not produce reliable rankings of the risks associated with each mine site.

To make effective resource allocation and funding decisions, management requires current, accurate, and complete information. At the completion of our audit, the Ministry informed us that it had not had the resources to further develop a priority-rating system. We found that because the information in the Abandoned Mines Information System was incomplete and there was not an effective risk-based model for the Abandoned Mines Rehabilitation Program, it is difficult to identify and objectively allocate resources to those sites that could have the most detrimental effect on the environment.

Abandoned Mines Rehabilitation Strategy

The Ministry did not have a long-term strategy for managing, monitoring, and rehabilitating abandoned mine sites, including the estimated cost and the time required to complete the rehabilitation. In 1993 an inter-ministerial committee, made up of five ministries along with the Ontario Mining Association, estimated that the cost of cleaning up all abandoned mine sites would be $300 million.

This estimate, now over 10 years old, was only a preliminary figure, pending further investigation and assessment of the mine sites. The Ministry has noted that, based on its recent experience in rehabilitating mine sites, the total cost to restore abandoned mine sites would be substantially higher than the 1993 estimate.

As well, the 1993 estimate of $300 million to rehabilitate abandoned mine sites did not include the costs associated with the cleanup of any chemical contamination, which can be considerable. For example, the Ministry estimates that the costs to rehabilitate two abandoned mines alone would be $75 million, with the majority of these funds spent on dealing with chemical contamination from mine tailings. To determine such costs for all abandoned mine sites would involve hydrology studies and the testing of the water and soil around abandoned mine sites. Also, an assessment to determine whether there were any imminent environmental threats would be necessary to effectively manage the risks associated with abandoned mines.

RECOMMENDATION

To more effectively manage the rehabilitation of abandoned mines in the province and to protect public health, public safety, and the environment, the Ministry should:

- ensure that information on all abandoned mines is entered into the Abandoned Mines Information System;
- assess the potential for chemical contamination at each site; and
- develop a long-term strategy for managing, monitoring, and rehabilitating abandoned mine sites that includes an updated estimate of the funds required, a priority ranking of all sites based on risk, and the expected time frame to complete the rehabilitation, given the anticipated level of funding.

MINISTRY RESPONSE

There are 5,600 known abandoned mine sites. Location data has been corrected and entered for all sites as a first priority. Additional information from the most recent site assessments will be entered by the end of 2006.

While modern mining operations are strictly monitored by government and industry to mitigate environmental and safety issues, at the time of the audit, the Ministry had identified 5,600 abandoned mine sites dating from the early 1900s. Of these 5,600 known sites, the Ministry's records include approximately 250 sites with associated tailings facilities, indicating that some level of mineral processing occurred at some point during the life of these sites. Mineral-processing sites have the highest risk of potential environmental effects. A joint government review of Crown-owned or Crown-leased sites with tailings further indicated that approximately 30% of the sites reviewed exhibited some degree of off-property water-quality effects, none of which were targeted as high-priority concerns. The Ministry will conduct a screening of the balance of the 250 sites and based on results, sites will be ranked in order of priority for cleanup, and a cost estimate will be established. A reallocation of a portion of the abandoned mines funding will be necessary to carry out this assessment.

The Ministry is in discussions with the mining industry, which has indicated a willingness to participate in this historic-site cleanup. The government recognizes the importance of addressing abandoned mine rehabilitation and, in July 2005, announced an allocation of $10 million annually. With sustained, stable funding, the Ministry is now able to improve its ranking system and long-term remediation plans.

REVENUE COLLECTION

The *Mining Act* provides for the application of mining fees, taxes, rents, and royalties. The Minister sets the fees required to be paid for items such as prospectors' licences, lease applications, and licence renewals. The regulations to the *Mining Act* (Act) outline the rates to be charged for taxes and rents on mining patents, and for leases and licences. Pursuant to the Act, the Ministry also charges royalties for salt production. In the 2003/04 fiscal year, the Ministry collected $5.4 million: royalties ($2.2 million), taxes ($1.8 million), rents ($1.0 million), and mining fees ($0.4 million).

We reviewed the Ministry's revenue collection efforts and found that royalties and mining fees were collected as required, and there were no appreciable outstanding debts.

However, we noted a number of concerns related to the invoicing and collection of taxes and rents for patented, leased, and licensed mining lands. The registered holders of these lands are required to pay taxes of $4 per hectare for patented lands, rents of $3 per hectare for leased land, and rents of $5 per hectare for licensed lands. There are approximately 19,000 patents (400,000 hectares), 3,600 leases (212,000 hectares), and 1,100 licences (22,000 hectares). Our specific concerns related to taxes and rents are as follows:

- The Ministry does not effectively control and pursue its outstanding accounts receivable balances to ensure timely collection. At the time of our fieldwork, there were accounts receivable totalling $2.2 million, of which $2 million were more than two years old. The Ministry's general practice is to not undertake any collection efforts for the first two years that an account is overdue.
- In accordance with the Act, the Ministry charges an interest penalty on the outstanding taxes on patented mining lands. However, contrary to the Act, the Ministry does not charge an interest penalty for outstanding rent on leased and licensed mining lands. Consequently, we estimate that the Ministry could have increased revenues by approximately $165,000 on these outstanding rent balances.
- If the payments of rents or taxes are not made, the Ministry has the right under the Act to require the forfeiture of patented lands and to terminate mining leases and licences. However, we noted that the Ministry did not pursue debtors to ensure the forfeiture of their mining rights on a timely basis. We noted 2,700 patents, leases, and licences where the claim-holder's mining rights were in arrears for more than two years. Over 900 of these patents, leases, and licences had been in arrears for more than 10 years.
- The current fee structure has been in place since 1997 without any increases to reflect inflation or comparable fees charged in other jurisdictions. We noted that fees charged by Ontario were generally lower than those charged in other jurisdictions. For example, the annual lease/rent fees in other Canadian jurisdictions ranged from $10 to $37 per hectare, while Ontario charges $3 per hectare. An increase in this one fee to $10 could increase annual revenues by more than $1 million.

RECOMMENDATION

To help ensure the receipt of all the funds it is entitled to from the taxes and rents levied on mining lands, the Ministry should:

- pursue outstanding accounts on a timely basis;
- charge the prescribed interest rate for overdue rent on leases and licences;
- on a timely basis, initiate procedures to revoke the mining rights of owners that have not paid the required taxes and rents; and
- review the appropriateness of fees charged for mining rights.

MINISTRY RESPONSE

The Ministry appreciates the Auditor General's recognition that mining fees and royalties were collected as required and that there were no appreciable outstanding debts. In regard to taxes and rents levied on mining lands, although the Ministry's current information database and processes are extremely complex, the Ministry has commenced a review to address the larger outstanding accounts. The Ministry has also commenced an action plan for a project to upgrade and enhance our existing information database and revenue collection system. The Ministry will examine options with respect to prescribing interest rates for overdue rent on leases and licences, and the Ministry will also assess the appropriateness of fees charged for mining rights in the context of Ontario's business and competitive climate.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

The goal of the Mines and Minerals Program is to build a provincial minerals sector that is healthy, competitive, and sustainable. In addition, the *Mining Act* requires that the development of mineral resources be carried out in such a manner as to minimize the impacts of mining activities on public health and safety and the environment. However, to assess its performance, the Ministry reported only two measures: Ontario's global and national ranking for mineral-sector attractiveness, and Ontario's share of Canadian exploration investment (as a percentage of total Canadian exploration expenditures). These were last reported in the Ministry's 2003/04 Business Plan.

The Ministry advised us that its 2005/06 results-based plan would include revised performance measures. However, we noted that the measures were essentially the same as those reported in the past, either publicly or internally. The existing performance measures are mainly economic and do not reflect all aspects of the Ministry's goals and responsibilities. For instance, there are no performance measures for the long-term-sustainability goal or for minimizing the impacts of mining activities on public health and safety and the environment.

With respect to sustainability, the World Commission on Environment and Development defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." To meet this objective, planning for the development of a mine must consider how to maintain the quality of the environment, human well-being, and economic security. With respect to environmental protection, we noted that another Canadian jurisdiction requires its mining program to track and report on the achievement of a high standard of environmental protection for its mine sites. If the Ministry were to report in this manner in these areas, it would be better able to determine if mining operations are maintaining the integrity of ecosystem functions, as well as determine the physical, chemical, and biological stress imposed by mining operations on the environment.

RECOMMENDATION

The Ministry should develop more comprehensive indicators for measuring and reporting on the Mines and Minerals Program's effectiveness in ensuring that Ontario's mining sector is healthy, competitive, and sustainable and in minimizing the impacts of mining activities on public health and safety and the environment.

MINISTRY RESPONSE

As part of the government's Performance Measure Improvement Plan, the Ministry has revised some measures and is working on additional outcome-based measures that indicate how the Mines and Minerals activities contribute to achieving the objectives and priorities of the Division.

Chapter 3

Section 3.10 Office of the Chief Election Officer

Background

The Office of the Chief Election Officer, known as Elections Ontario, is an independent agency of the province's Legislative Assembly. Under the *Election Act*, the Lieutenant Governor in Council appoints a Chief Election Officer on the recommendation of the Legislative Assembly. The responsibilities of the Chief Election Officer include:

- the organization and conduct of general elections and by-elections in accordance with the provisions of the *Election Act* and the *Representation Act, 1996*; and
- the administration of the *Election Finances Act*, which regulates political contributions, spending limits, party/candidate registration, and advertising.

Elections Ontario states that its mission is "to guarantee the democratic voting rights of Ontario electors, assist in making the finances of political interest transparent and to ensure efficient, cost-effective and non-partisan administration of the electoral process."

In 1998, amendments to the *Election Act* added a requirement that the Chief Election Officer establish a permanent register of electors for Ontario that must be updated for all of Ontario "at least once in a calendar year."

As Figure 1 illustrates, total expenditures incurred by Elections Ontario related to the *Election Act* more than doubled in the four years leading up to and including the 2003 election compared to the four years leading up to and including the 1999 election. Figure 1 also includes expenditures for the 2004/05 fiscal year and projected expenditures for the following three years, according to figures Elections Ontario supplied to the Ministry of Finance in April 2005.

With the approval of the Board of Internal Economy (an all-party board chaired by the Speaker), Elections Ontario has increased the number of its permanent staff positions from 19 in 2002 (which had been the staff complement for a number of years) to 61 currently.

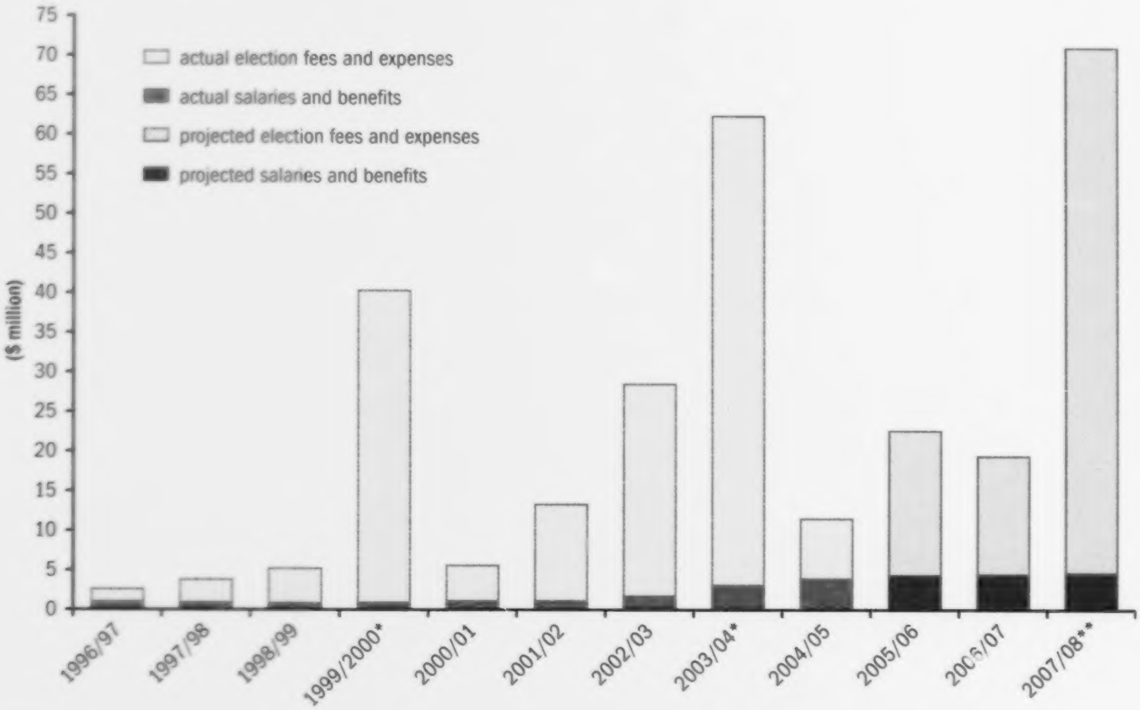
This was the first value-for-money audit conducted at the Office of the Chief Election Officer since 1985.

Audit Objective and Scope

Our audit objective was to assess whether Elections Ontario was being managed with due regard

Figure 1: Elections Ontario's Expenditures Under the *Election Act*, 1996/97–2004/05 (Actual) and 2005/06–2007/08 (Projected)

Source of data: Elections Ontario



*election year

**projected election year

to economy. Our audit focused on the categories of expenditures where increases were the most significant—namely, consulting services and travel and hospitality.

Our audit criteria were based on the specific policies of Elections Ontario and on general government policies for the prudent management of such expenditures.

Summary

As a legislative office, Elections Ontario is independent of government. However, unlike other legislative offices, it is not required by its enabling legislation (the *Election Act*) to submit a budget to, or receive approval from, the Board of Internal Economy for the vast majority of its expenditures. Furthermore, there is also no requirement for Elections Ontario to report annually on its activities.

The results of our audit work indicated that more care is needed in certain areas in the spending of taxpayer funds. In particular, we noted that Elections Ontario:

- did not have adequate procedures for acquiring consulting services, as we noted a number of instances where:
  - the process followed did not ensure fair and open access;
  - assignments were not clearly defined, leading to significant increases in cost; and
  - assignments or their extensions did not have a written contract or agreement;

- had not assessed whether running its own public call centre to handle calls from the public was the most economical means of providing the service;
- did not adequately consider all options to ensure that the $4.4 million paid over 49 months to lease computer equipment was cost effective; and
- did not always ensure that hospitality and travel expenses incurred by its employees were reasonable and appropriate.

In several other provinces and at the federal level, chief elections officers report annually to their respective legislatures, and some include all or most of their expected expenditures in an annual appropriation request. Given this, as well as the fact that Elections Ontario's annual expenditures have increased substantially over the last few years—and with budgeted expenditures over the next three years projected to be approximately $119 million, of which approximately $100 million would not be submitted to the Board of Internal Economy for approval—increased legislative oversight of Elections Ontario through the processes of appropriations approval and annual reporting warrants consideration.

Detailed Audit Observations

ACCOUNTABILITY

Under the *Election Act* (Act), Elections Ontario is required to submit an annual budget to the Board of Internal Economy regarding permanent staff salaries and benefits. For other expenses, which are classified as election fees and expenses under the Act, Elections Ontario is not required to submit an annual budget to the Board or receive approval for these expenditures. Over the past four years, these other expenditures have accounted for 92% of Elections Ontario's expenditures. Approximately one-third of this amount is prescribed in a regulation under the Act, which sets the fees and allowable expense reimbursements paid to electoral officers.

The Chief Election Officer is required to report annually on the affairs of his or her office in relation to the *Election Finances Act*. However, there is no requirement for annual reporting on the activities or expenditures of Elections Ontario under the *Election Act*, which account for the majority of Elections Ontario's operating expenditures.

We noted that in certain provinces, the Chief Electoral Officer is required to include all expenditures of the office when submitting the annual budget for approval, and some are required to report annually on work done by the office. Specifically:

- British Columbia requires that its Chief Electoral Officer submit an annual budget, including all administration and election expenses, to a select all-party standing committee for approval. The Chief Electoral Officer is also required to present to the Speaker an annual report on the work done under his or her direction and, after each election or plebiscite (that is, each direct vote of all electors on an important public question), a report on the proceedings, the results, and the costs.
- In Alberta, the Chief Electoral Officer must annually submit expenditure estimates to a standing committee for approval. The Chief Electoral Officer is also required, immediately following each enumeration, general election, or by-election, to prepare a report to the standing committee.
- Manitoba requires that its Chief Electoral Officer submit to its Legislative Assembly Management Commission an annual budget that must include, in addition to salaries and benefits for permanent staff, operating costs including rent, phones, and photocopiers. Not included are election preparation and other direct election costs, which are included in the estimates for

information purposes only. The Chief Electoral Officer is also required to issue to the Speaker an annual report on the work done under the direction of the Chief Electoral Officer and, after each election, a report about the conduct of the election.

- Saskatchewan requires that its Chief Electoral Officer submit an annual budget to its Board of Internal Economy for review. The Board may make any alterations to the estimate that it considers proper. The budget includes expenses for ongoing administration and annual electoral-related activities, such as expenses relating to travel and business, ongoing contractual services, and capital assets. Direct expenses for a general election or a by-election are not included in the budget. The Chief Electoral Officer is also required to submit an annual report describing his or her progress and activities in the previous year.

We also noted that the Office of the Chief Electoral Officer of Canada (Elections Canada) annually publishes a report on its plans and priorities, which includes estimates of its forecasted expenditures for the upcoming year. After each fiscal year, Elections Canada publishes a performance report that discusses its key achievements and progress against its plans and priorities.

We note that the Chief Election Officer, in his September 2004 report on the October 2003 election (see next section), supported the concept of mandatory annual reporting, stating that:

> there must be a clear and open accountability structure that assures citizens and political interest groups that [the Chief Election Officer's (CEO)] actions are clearly in support of the principles of fairness, secrecy, transparency and accessibility.
>
> While reporting to the Assembly on *Election Act* administration when he chooses may be to the advantage of the Chief Election Officer, the public is not well served.
>
> Mandatory annual reporting and the opportunity to give the Advisory Committee of Registered Political Parties some status as a provider of political counsel to the CEO will provide a necessary balance of his ability to act and his protection of the public trust.

In view of the accountability and transparency requirements for, and practices of, electoral officers in certain other Canadian jurisdictions and given the significant increase in the expenditures of Elections Ontario (as well as its projected expenditures), the Legislative Assembly and the government should consider requiring that Elections Ontario submit an annual budget to the Board of Internal Economy that covers all planned expenditures and that it report annually on its activities and expenditures.

OFFICE RESPONSE

In the interests of achieving a greater degree of openness in the administration of the electoral process, expenditures associated with the delivery of the 2003 general election were published in the 2004 report *Access, Integrity and Participation: Towards Responsive Electoral Processes for Ontario*. Within the 2004 report, we also made several proposals to legislators for improved accountability and transparency, including a proposal for mandatory annual reporting by the Chief Election Officer.

The statutory report under the *Election Finances Act* for 2004 will be published before the end of this calendar year. We will take advantage of this opportunity to provide information on the activities of Elections Ontario to members of the Assembly and the public. While the publication vehicles may change in future, we will continue to provide annual reports on the activities of the Office of the Chief Election Officer. In particular, we intend to ensure that estimates of election costs are published before the next general election takes place.

To date, the obligation to preserve a constant electoral readiness has precluded the preparation and publication of meaningful expenditure estimates. However, if the legislation currently before the Assembly is passed and a fixed election date is established, it will be possible to develop reasonable estimates of Elections Ontario's statutory expenditures on events and activities for the information of the Assembly in the new environment.

GENERAL ELECTION REPORTING

Although not required to do so, in September 2004, the Chief Election Officer issued a report to the Speaker. The report, titled *Access, Integrity and Participation: Towards Responsive Electoral Processes for Ontario*, was described as "an overview of activities conducted by the Office of the Chief Election Officer over the past four years." It also covered activities related to the October 2003 election and listed a number of new approaches that were undertaken in preparation for that election, including:

- a new advertising campaign to reach out to electors;
- equipping returning officers' home offices with computer equipment;
- a province-wide "target registration" exercise that was conducted to improve elector information in targeted areas, such as high-density residential buildings and residential properties with recent ownership changes; and
- new approaches for training administrative staff and field workers.

This report also stated that the cost of the election was $47.7 million, or $5.99 per eligible voter. However, Elections Ontario did not provide a clear definition of "election cost" in the 2004 report or identify which items were included and excluded from the calculation. Specifically, it was not made clear that the costs of the new approaches discussed in the report were not included. For instance, the following expenditures were excluded because Elections Ontario considers the useful life of these investments to be more than one election, or that the activities were required to be conducted whether or not an election was called:

- approximately $13 million spent on the "target registration" exercise and on establishing home offices for returning officers;
- $1 million of the $1.3 million spent on designing and producing the new advertising campaign; and
- the $500,000 cost of developing a new approach to training administrative staff and field workers.

In the report, Elections Ontario compared the costs of the 2003 and 1999 elections. Elections Ontario indicated to us that direct comparisons should be approached with caution because 1999 and 2003 represented very different business environments. We agree that direct comparisons should be approached with caution. For instance, we found inconsistencies in how Elections Ontario calculated the costs for the 1999 and 2003 elections that would have an impact on the comparisons made in the 2004 report. For example, the 1999 costs included 24 months of information technology support and legal expenses, while the 2003 costs included only six months of such expenses. Based on our calculations, if treated consistently, these costs alone would have increased the reported cost of the 2003 election by $1.1 million.

RECOMMENDATION

To help ensure that amounts reported as election costs are clearly understood, Elections Ontario should clarify the basis for calculating the expenditures and ensure that comparative figures are calculated on a consistent basis.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario intended to adopt the 2003 electoral event as a baseline for expenditures and operations, against which future events could be measured. The significant analysis of the 2003 expenditures that is being undertaken will provide a framework for consistent presentation of expenditures in any future public information materials and could support reporting if a statutory requirement for reporting becomes a part of the *Election Act*. Elections Ontario would value the counsel of the Office of the Auditor General as it develops the framework.

PURCHASING PROCEDURES

Acquisition of Consulting Services

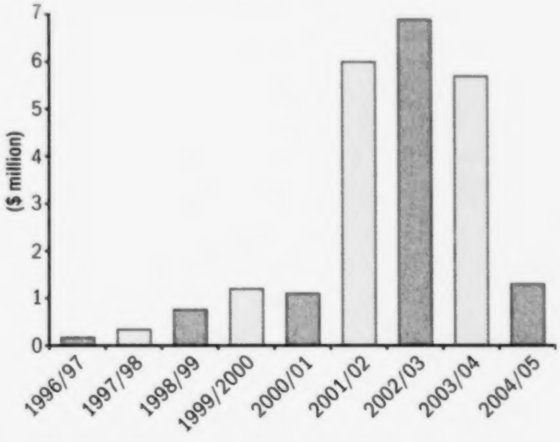
As Figure 2 indicates, spending by Elections Ontario on consulting services has increased significantly over the past several years and totalled about $20 million over the past four years. Elections Ontario indicated that such a significant increase was necessary due to new statutory responsibilities, Elections Ontario's "expanded mandate, and the requirement to be able to produce an electoral event on demand."

Competitiveness and Open and Fair Access

Elections Ontario's purchasing policy states that services must be acquired competitively, potential suppliers should have fair access, and requests for proposals should be open for a minimum of 14 days. However, its policy does not require public tenders, regardless of the cost of an assignment. A useful benchmark for Elections Ontario to consider are the requirements in the Management Board of Cabinet *Procurement Directive for Consulting Services* (Directive).

Figure 2: Elections Ontario's Expenditures on Consulting Services, 1996/97–2004/05

Source of data: Elections Ontario



Among the Directive's main principles regarding the acquisition of consulting services is that the process be competitive, open, and transparent. If the estimated ceiling price of consulting services exceeds $25,000, the Directive requires that a request for proposals be issued, proposals undergo written evaluations, and a written agreement be drawn up. If the estimated ceiling price is $100,000 or more, an open call for tenders must be issued through MERX (a website that lists public tenders issued by the federal and a number of provincial governments) or other appropriate media.

The Directive also stipulates that access for suppliers is to be open, fair, and consistent. When acquiring consulting services, government entities must avoid conflict of interest, must not permit a supplier to gain a monopoly for a particular kind of work, and must not continuously rely on a particular outside organization.

In practice, while Elections Ontario generally engaged consultants through a request-for-proposal process, we found numerous instances where only a limited number of suppliers were invited to submit proposals. As a result, the number of bidders was often small, and, at times, the process followed appeared to be geared to selecting a particular supplier. For example:

- In June 2001, Elections Ontario invited six potential bidders to submit proposals to fill the contract position of Manager of Election Officials. Only two of the six bidders were located in Toronto, where the job was located. Only three bids were received. The successful bidder, who was from Toronto, was awarded a one-year contract for $135,000 with a subsequent one-year extension. The second-ranked bidder was from Ottawa and incorrectly assumed that the majority of the work could be completed in Ottawa. The third bidder was from Collingwood.

  In June 2003, the successful bidder and the Ottawa- and Collingwood-based bidders from June 2001 were invited to bid on a contract for Special Projects Advisor. No other potential suppliers were approached. We questioned why only these bidders were invited to bid, particularly since one of the losing bidders from the previous competition had already indicated that the work location was not suitable. Only the successful bidder from the June 2001 competition submitted a bid.

  We were also concerned that the successful bid incorporated "insider" knowledge of ongoing changes at Elections Ontario, including anticipated new responsibilities that were not specified in the request for proposals. Specifically, the incumbent's proposal stated that the position would include the responsibilities of the then–Director of Corporate Services, who was leaving the organization. The successful bidder has been the Director of Corporate Services since August 2003. From June 2001 to July 2005, payments to this consultant have totalled approximately $550,000. We also understand that this individual has recently signed a three-year employment contract with Elections Ontario at an annual salary of $120,000.

  In reviewing the invoices from this consultant, we noted that during October, November, and December 2003, billings totalling $10,665 were for services related to a municipal election, including a municipal election recount. We found no documentation or other support indicating why such billings were paid by Elections Ontario.

  We also understand that the incumbent is a retired employee from the Ontario Public Service (OPS) and is collecting a pension from the Public Service Pension Plan. The *Public Service Pension Act* stipulates that any former employee receiving a pension who is re-employed or engaged in any capacity, including through a third-party corporation, shall have his or her pension reduced to the extent that the retiree's combined incomes from pension and re-employment do not exceed the amount earned just before retirement. We understand that while the Ontario Pension Board relies on OPS employers to notify it when they employ retirees, Elections Ontario had not done so in this case.

- In June 2002, requests for proposals for a Toronto-based Policy Advisor were sent to five potential bidders. Only two bids were received, one of which was from the Ottawa supplier involved in the bidding for the Manager of Election Officials position discussed earlier. Once again, this Ottawa bidder mistakenly assumed that the majority of the work could be completed in Ottawa. The Ottawa bidder submitted a bid that was considerably lower ($500 per day) than the winning bid ($935 per day), and we presume, in view of the Ottawa bid, that there may have been others in the Toronto area who might have bid less than $935 per day if given the opportunity. Since July 2000, the winning consultant had been working on other projects for Elections Ontario. One project continued until the next provincial election, which occurred in

October 2003. The consultant issued a report on this assignment in December 2003.

In June 2004, when the Policy Advisor contract was ending, Elections Ontario invited the incumbent and three potential bidders from the Ottawa area to submit proposals for a succeeding contract. Contrary to Elections Ontario's policy, bidders were given only seven days to submit their proposals. Only the incumbent and the previous bidder from Ottawa submitted bids. Elections Ontario asked the bidder from Ottawa to adjust its bid to cover travel costs. The bid was increased to $850 per day, while the incumbent bid $950 per day. The contract was awarded to the incumbent. From June 2002 to July 2005, payments to this consultant for duties as Policy Advisor have totalled approximately $390,000.

- In another case, Elections Ontario sent an invitational request for proposals to six potential vendors to develop a training program for administrative and field staff. Only one bid was received. While the initial contract amount was $156,000, the scope of the project was not clearly defined in the request for proposals, and the scope and nature of the work changed dramatically, increasing the total cost to $490,000, 213% over the original budget. Of this amount, the cost of producing training manuals, which the bidder originally set at $24,000, increased by 484% to $140,000. Elections Ontario was unable to provide evidence that a sixfold increase in the original proposal price for these manuals was necessary and reasonable.
- In 2003, Elections Ontario sole-sourced two assignments to a consultant from the United States. There were no signed contracts. The first assignment, for $30,000, was to conduct an operational review during the 2003 election by interviewing a sample of returning officers and senior Elections Ontario staff. The consultant was paid $1,000 per day for 30 consecutive days from September 3, 2003 to October 3, 2003. This assignment was to be done in partnership with another consultant, who was paid $100 per hour. However, the other consultant did not start billing until September 13, 2003, when the statement of work for the assignment was finalized.

  Elections Ontario then hired the same U.S.-based consultant to manage its already established call centre. The assignment was the result of an agreement with a municipality, whereby Elections Ontario's call centre would be a backup call centre for that municipality's election from November 1 to 10, 2003. However, the municipality ended up not requiring the services, and the call centre was not activated. The municipality paid Elections Ontario a standby fee of $36,000, of which $26,500 was paid to the consultant, based on 26.5 days at $1,000 per day, from October 15 to November 11. Elections Ontario also paid $2,800 to cover the consultant's accommodations for 17 nights. Furthermore, there was no documentation indicating why the services were billed starting on October 15 if the backup call centre was to cover only the November 1 to 10 period.

Assignment Definition and Scope

Another provision of the Directive that should be considered by Elections Ontario requires that before assistance is sought from suppliers of consulting services, assignments should be well defined and justified. In addition, clear terms of reference—including objectives, scope, tangible deliverables, timing, and progress reporting—must be established. Also, a firm ceiling price must be tied to tangible deliverables.

In several cases, consulting assignments were not properly scoped or deliverables were not identified before the requests for proposals were issued. As a result, Elections Ontario assigned consultants additional work after the contract was awarded. No contract ceilings were established for many assignments. Billing rates were established from the requests for proposals, but the quantity of work billed could not be assessed for reasonableness.

In not defining a fixed price for tangible deliverables, Elections Ontario assumed several risks, including consultants not delivering their work on time and Elections Ontario having to pay any added costs resulting from, for example, missed deadlines and budget overruns. For example:

- A consulting firm was awarded a contract in April 2002 to create an electoral geography database and related business applications. Elections Ontario awarded the contract based on a fixed-price bid of $260,000 for the database project, per-diem rates for maintenance work, and per-diem rates for future projects. Subsequently, Elections Ontario awarded two additional projects to this firm using the original per-diem rates. The projects totalled $900,000. In total, $2.6 million was paid to the consultant from May 2002 to March 2005 for the database project, maintenance work, and other added projects.

  The quantity of work in the additional projects and the number of hours billed could not be evaluated against any other bidder or the marketplace to determine whether the hours were reasonable and value for money was received. In addition, the number of hours billed was extremely high. The invoices for work performed by individual staff members exceeded 250 hours—and in some cases 300 hours—per month for several months. According to the invoices, one employee worked 350 hours in February 2003 (or an average of 12.5 hours per day for 28 straight days, including weekends) and 275 hours in March 2003, at $120 per hour. Such a large number of hours being billed daily brings into question whether the services provided by the consultant were of optimal quality and efficiently performed.

  We also noted that the contracts for these additional projects were not signed until the projects were nearly completed. For example, one $700,000 project was started in February 2003, but the contract was not signed until May 2003, when the project was nearly completed. Another contract signed in February 2003 was for a project that started in November 2002.

  We further noted that, while the costs established in these contract extensions were based on project components—such as project management and production of various maps—the consultant's billings listed only the people working on the project and corresponding charges. There was no reconciliation of the billings to the work components listed in the contract extensions to make it possible to determine what was billed and paid for each deliverable.

- In mid-2001, Elections Ontario awarded to a consultant, through a request-for-proposal process, a $700,000 contract for system development work. From 2002 to early 2003, an additional $900,000 was paid to this consultant for other related system development work. Based on the significantly increased project scope, Elections Ontario should have re-tendered the project to determine the range of amounts competing suppliers would have charged and to ensure that the amount ultimately paid was reasonable. We also noted that there was no written contract or even an addendum to the original contract for the additional $900,000.
- Several consultants were awarded contracts based solely on per-diem rates. No fixed price with fixed deliverables was requested as part of the tendering process. Without specific deliverables, it is difficult to assess consultant performance and identify inefficiencies or poor performance that should not be billable. For example, one consultant billed $246,000 for work conducted from November 2002 to February 2004 with no project ceiling or cap on billings. We noted that approximately 40% of that

consultant's billings was for work not initially identified in the request for proposals.

In all of the above instances, the lack of clearly defined deliverables and significant increases in cost over the originally agreed-upon amounts are indicative of the need for improved processes for engaging and managing consultants.

Acquisition of Other Services

On March 3, 2003, Elections Ontario invited four potential bidders to submit proposals for the design, development, implementation, and operation of a pilot voter-tracking solution in four advance polls. The suppliers had only seven days to submit their proposals. The only bid submitted was dated February 28, 2003, four days before the request for proposals (RFP) was issued. This supplier, who had only been incorporated on January 14, 2003, could not meet the requirements in the RFP of having prior experience and supplying three references. The contract was awarded for $106,000. We also noted that, although this supplier was paid $53,000 upon signing the contract, no services were needed or provided for a number of months. We were advised by Elections Ontario that this advance payment was made in exchange for a $6,000 reduction in the bid price.

In another instance, Elections Ontario did not sign a contract with a supplier who was paid $1.3 million for advertising services provided over a two-year period. We also noted that in 2003, this supplier, before actually doing any work, was paid the full billing for the 2003/04 advertising projects, totalling approximately $300,000.

RECOMMENDATION

To help ensure that consulting and other services are acquired at the best available price and that the selection process is competitive, open, and transparent, Elections Ontario should:

- issue public tenders when significant services are being acquired (at a minimum, this should be a requirement for all assignments exceeding $100,000); and
- ensure that all assignments have a written agreement or contract that clearly identifies the project deliverables, timelines, and a fixed ceiling price.

OFFICE RESPONSE

Elections Ontario accepts and will implement the recommendation.

The current Elections Ontario procurement policy generally reflects the principles that the Auditor General has identified and, while not requiring them, does suggest the use of public tenders for acquisitions in excess of $100,000. However, we accept that the audit has identified areas for improvement in Elections Ontario procurement activity and controls, and the necessary changes will be implemented.

Over the period following the last election, the Elections Ontario purchasing policy has been subjected to a thorough review, which is now nearing completion. We believe that the new policy, which has been prepared with reference to similar policies from a range of organizations, including the Management Board of Cabinet, and which will be implemented in our current structured management and control environment, will ensure the competitive, open, and transparent acquisition of consulting services.

In late 2004, the Office embarked on a process that targets registration of the Office's management system with the International Organization for Standardization (ISO) following the next general election. To achieve this status, close attention is being paid to the development and enforcement of policies and procedures, including those relating to procurement.

CALL CENTRES

In March 2002, Elections Ontario established at its office in Toronto a public call centre with 57 lines and three supervisor lines to answer inquiries during general elections, by-elections, and other events; a call centre with 10 agents to handle email inquiries; and three call centres with a total of 40 agents to answer inquiries from internal field staff. Elections Ontario indicated that the initial investment to set up the call centres was $555,000.

There was no evidence that Elections Ontario considered other alternatives before establishing the call centres, such as partnering with other government organizations or contracting out the work.

The public call centre was first used in March 2003 during the target registration project described earlier as an initiative to improve Elections Ontario's elector information in targeted areas. Elections Ontario's projection of call volume during this exercise was 430,000 calls; however, the actual number of calls received was only 14,800. After the exercise was completed, staff suggested that a less aggressive approach to staffing and training should be adopted in the future.

Prior to the October 2003 election, Elections Ontario projected that there would be 240,000 calls from the public to the public call centre during the 28-day election period. Only 139,000 calls were actually received.

Based on the projection of receiving 240,000 calls, Elections Ontario prepared an estimate of its staffing needs for each day of the 2003 election period. We noted that the projected staffing levels of 20 to 27 per day for the first 27 days of the election—which were based on the expected volume of calls—were significantly lower than the 57-staff capacity of the call centre. As a result, we questioned the underlying analysis supporting the establishment of a call centre with such a large capacity in view of Elections Ontario's own call volume and staffing projections. Elections Ontario staff informed us that this number of staff spaces reflected what the call centre's premises could physically accommodate as opposed to the number of staff it would assign to work at the call centre.

In April 2002, Elections Ontario had signed a two-year lease for an Intelligent Call Exchange (ICE) electronic system that included 115 agent licences (57 for the public call centre plus three supervisor licences and 55 for the other call centres). The total cost of the lease and licences was approximately $430,000. Elections Ontario paid monthly charges for the 115 leased ICE electronic system licences, as well as for 115 phone lines, incoming-call tolls, and mega-link circuits (enabling high-speed, high-volume service in integrating voice and other data). Based on the information provided to us, the total charges relating to phone services from April 2002 to March 2004 were approximately $675,000 ($330,000 in the 2002/03 fiscal year and $345,000 in 2003/04).

Even though, as stated earlier, the number of licences actually needed in the public call centre during the election period averaged 25 or less, 57 licences were leased. In addition, while Elections Ontario leased the ICE licences for 24 months, the call centres only operated for approximately two months—for the target registration project and for the general election. In March 2004, when the lease for the 115 agent licences and three supervisor licences expired, Elections Ontario purchased 64 licences and related equipment at a cost of $200,000 and a monthly maintenance fee of $2,000. We understand that one reason for making the purchases at that time was to ensure that the call centre would be available to provide services, for a fee, to Elections Canada for the 2004 federal election. In June 2004, an additional nine licences were purchased at a cost of $11,500 to meet the demand for the federal election.

In early 2005, Elections Ontario prepared a Call Centre Business Case, indicating that based on 139,000 calls and total costs of $353,000, the cost per call to the public call centre for the 2003 election was $2.54. However, these costs did not include any phone line charges, ICE licence charges, toll charges, or mega-link costs. Had these costs, as well as the costs for equipping and operating the call centres, been included and pro-rated based on the percentage of total calls made to the public call centre, the cost per call would have been $5.55.

Elections Ontario leased the ICE licences to manage call volumes and to obtain performance statistics relating to, for example, call duration, number of calls per agent, and number of calls in queue. While over $400,000 was paid for the ICE system and licences, the statistics provided by the ICE system had not yet been analyzed to determine how many staff are needed at particular times and how staff can best be utilized to handle specific call volumes.

RECOMMENDATION

To help minimize the cost of providing call-centre services for future elections, Elections Ontario should:

- **assess other alternatives for meeting call-centre needs; and**
- **conduct a more thorough analysis of the number of staff and related software licences required if Elections Ontario continues to operate its own call centres.**

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

In developing its call-centre capacity in 2002, Elections Ontario was supporting a new set of communication demands for its business with only limited knowledge of the extent of the demands, based on the experiences of our federal and municipal colleagues. In addition, through a series of pilot projects from late 2002 to the present, we have confirmed the value of the call centre as an important tool in the management of the Permanent Register and other activities between electoral events.

The 2003 electoral-event benchmarks are in place, and the demands on the call-centre capacity from our activities between elections and in support of our sister agencies are better understood. Elections Ontario will now conduct a review of its call-centre licence and staffing structures and will re-evaluate approaches to the delivery of call-centre support in the context of electoral activity.

LEASE OF COMPUTER EQUIPMENT

In December 2002, Elections Ontario leased computer equipment to be available for the next provincial election for a 49-month term at a total cost of approximately $4.44 million. The agreement could be extended for two additional 12-month periods, or the computers could be purchased for $138,000 at the end of the 49-month term. The equipment that was leased consisted of:

- 1,130 personal computers;
- 120 laptop computers;
- 107 servers; and
- 332 printers.

Electoral events are delivered through returning officers appointed for each electoral district. There are currently 103 electoral districts in Ontario. The vast majority of the equipment was to be used by the 103 returning offices—Elections Ontario determined that each of the 103 returning offices would have 10 personal computers (totalling 1,030) with an appropriate number of supporting servers and printers.

The returning offices utilized this computer equipment for only specific short-term periods: for approximately two months beginning in March 2003 for the target registration project and for approximately six weeks beginning in September 2003 for the provincial election. Since that time, most of the leased computer equipment, except for some laptops and some personal computers and servers allocated to head office, has been in storage.

Under the lease, Elections Ontario must pay to deploy each piece of equipment to a returning office. For the March 2003 deployment, 1,339 pieces of computer equipment were deployed to 103 offices at a cost of $750,000. We noted that the full complement of 10 computers per office was included in this deployment, even though Elections Ontario was expecting to hire only five staff at each office for the registration project. That is, the project required a total of only approximately 500 personal computers. This resulted in Elections Ontario incurring $190,000 in deployment costs for computers not used for target registration.

We understand that, at the time of the target registration project, Elections Ontario was speculating that an election might be called soon. When it was not, the equipment was warehoused in local Canada Post locations. In September 2003, the election was called, and all of the equipment was redeployed to the returning offices at a cost of $440,000, versus the $750,000 cost that would have been incurred if the equipment had been returned to the supplier for storage and future deployment. After the election, the computer equipment was returned to the lease provider's warehouse for storage, with monthly lease costs of $90,600 continuing to be paid each month.

We inquired whether a business case was developed that considered options other than the leasing of equipment. No business case was provided to us. We note that, in another Canadian jurisdiction, the election office has shared the purchase costs of its computer equipment with a provincial ministry that would own the equipment after the election was over. We recognize that this jurisdiction's population is significantly smaller than Ontario's. However, this approach demonstrates that there may be innovative ways to meet cyclical business needs of this nature.

We were informed that Elections Ontario had expected that it would sublease its computers to other users, thus recouping some of the amount it paid. Elections Ontario did sublease some equipment to Elections Canada for the 2004 federal election: 125 computers for six months, 50 computers for five months, and 55 computers for three months. Total revenue generated was $88,000. Currently, a similar number of computers have been leased to Elections Canada for election readiness.

In 2004, the government introduced legislation that, if passed, would make "election day in this province the first Thursday in October, every four years, starting in 2007." The Premier stated that this would also assist Elections Ontario "so it can plan efficiently for upcoming elections."

RECOMMENDATION

Elections Ontario should use the time before the next election to examine whether there are more cost-effective means of equipping returning offices with computer equipment for the one-to-two-month period involved.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario will prepare a business case to identify the most cost-effective means of equipping returning offices with computer equipment. This analysis will give appropriate consideration to providing for the time-limited preparation, conditioning, application imaging, packing, distribution, set-up, testing, on-site service and maintenance, disassembly, and recovery of the equipment, together with confidential data purging. The business case will also take into consideration the anticipated timing of the next election, register maintenance activity, and demands relating to deployment of election management systems.

HOSPITALITY, TRAVEL, AND OTHER EXPENSES

Hospitality and Travel Expenses

Elections Ontario does not have its own policies for hospitality and travel expenses. We therefore used the policies in Management Board of Cabinet's *Travel, Meal and Hospitality Expenses Directive* (Directive) as a benchmark against which to judge the reasonableness of hospitality expenses incurred by Elections Ontario. For hospitality, the Directive includes the following stipulations:

> Hospitality is the provision of food, beverages, accommodation, transportation or other amenities at public expense to persons who are not engaged in work for the Ontario government. Hospitality should be extended in an economical, consistent, and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy.
>
> The number of government representatives should be limited to those necessary for the function and should be kept to a minimum.

We reviewed a sample of expenditures incurred for hospitality and noted instances where:

- the expenditures appeared to be in excess of what one would consider reasonable;
- the number of attendees who were employees or representatives of Elections Ontario appeared excessive and was not kept to a minimum as required by the Directive; and
- detailed receipts were not provided.

For instance, in March 2005, Elections Ontario hosted a dinner for two elections officials from another country. Four representatives from Elections Ontario, two of whom brought their spouses, attended the dinner. The total cost was $1,162, or approximately $145 per person. We questioned the need for six individuals associated with Elections Ontario to attend a dinner for only two visitors and whether expenses of $145 per person were excessive.

With respect to travel and other related expenses, the Management Board of Cabinet's directives require that employees make the most practical and economical arrangements for travel and other related activities.

We also reviewed a sample of claims and payments for travel expenses incurred by Elections Ontario employees and found a number of instances where expenditures did not always demonstrate due regard for economy.

RECOMMENDATION

To ensure that the hospitality and travel expenditures incurred by Elections Ontario are reasonable and appropriate, Elections Ontario should adopt hospitality and travel expense policies consistent with Management Board of Cabinet directives and ensure that expenses are in compliance with such policies.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Since 2004, Elections Ontario has been developing its own policy framework, which includes hospitality expenses, and has put in place management structures that permit closer monitoring of compliance with all policies. Elections Ontario believes that the policies, which are currently nearing completion and which have considered the Management Board of Cabinet policy documents, will address the concerns that the Auditor General has identified.

The introduction and implementation of the new Elections Ontario travel expense policy will prevent future problems in this area.

Other Expenses

We noted during our audit that a number of expenditures were related to "team-building events" for staff. We understand that each division at Elections Ontario is expected to have team-building sessions with its staff twice a year, allowing spending of up to $100 per person for each event. We found a number of instances where these events involved sporting or other recreational activities.

RECOMMENDATION

To help ensure that taxpayer funds are used prudently, Elections Ontario should reconsider sponsoring staff team-building events that involve sporting or recreational activities.

OFFICE RESPONSE

Elections Ontario accepts and will abide by the recommendation.

OTHER MATTER

Summer Help

In December 2002, Elections Ontario received approval from the Board of Internal Economy to increase its staff complement from 19 to 61. We noticed during our audit that, especially given the significantly increased permanent staff complement, the number of summer students hired by Elections Ontario in 2004 and 2005 appeared unusually high—particularly since the next election may not be held until October 2007. Specifically, 22 summer students were hired in 2004 (at a rate of $14.26 per hour), and, in 2005, 19 summer students (at a rate of $14.54 per hour) and eight co-op students were hired. We were advised that the hourly rates were based on the rates paid to summer students by the Office of the Assembly.

In 2004, Elections Ontario posted a job advertisement for summer student positions on a university's website. However, the 2005 summer positions were not advertised.

We found from our review of available documentation that at least 10 (that is, over 50%) of the 19 students hired for 2005 summer positions were either children of or otherwise related to Elections Ontario employees. In 2004, at least seven of the 22 summer students hired by Elections Ontario were either children of or otherwise related to Elections Ontario employees.

RECOMMENDATION

To ensure that staff are being utilized as productively as possible, Elections Ontario should conduct a formal assessment of workload, especially during the summer months, to confirm that there are no alternatives to hiring 20 summer students. In addition, if students are needed to supplement staff during the summer, Elections Ontario should ensure that the hiring process for students is more open and competitive.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario appreciates that there should be a clear justification for hiring summer students. All project plans that call for summer student employment will be carefully developed and reviewed within the Elections Ontario policy-and-planning framework, pay structures will reflect job responsibilities, and summer projects will be closely managed to ensure the highest levels of productivity.

The openness and competitiveness of the hiring process will be given full consideration in any future summer student hiring activity.

Chapter 3

Section

3.11 Office of the Registrar General

Ministry of Government Services

Background

The Office of the Registrar General (Office) is responsible for the administration of the *Vital Statistics Act*, the *Change of Name Act*, and the *Marriage Act*. The Office's main responsibilities are to register all births, deaths, marriages, stillbirths, adoptions, and changes of name and to provide certificates and certified copies of registrations to the public. Each year, approximately 300,000 events are registered and 400,000 certificates and certified copies are issued.

A person's birth certificate is a critical document required by government and businesses to validate that person's identity. It is required when applying for other vital documents and entitlements, including social insurance numbers, driver's licences, passports, and health cards. Similarly, death certificates are needed to settle estates and insurance claims, to discontinue government benefits, and to conduct genealogy searches. Marriage certificates are necessary proof to show marital status. The Office charges a fee for the issuance of certificates. Total service fees collected in the 2004/05 fiscal year amounted to $19.6 million.

The Office's head office is located in Thunder Bay, with an administrative office in Toronto. For the 2004/05 fiscal year, the Office had operating expenditures of $30.3 million. For the same year, the Office's staff levels fluctuated between 275 and 425 staff.

Audit Objective and Scope

Our audit objective was to assess whether the Office has adequate systems and procedures in place to effectively fulfill its key mandates of maintaining accurate vital statistics records and providing Ontarians with timely, accessible services in an efficient manner. Prior to commencement of the audit, we identified audit criteria to address our audit objective. These criteria were reviewed and accepted by senior management at the Office of the Registrar General.

The scope of our audit included interviews, inquiries, and discussions with relevant Office staff in Toronto and Thunder Bay. As well, we reviewed files and other documentation, the Office's policies and procedures, and relevant management and external consultants' reports. We also reviewed the work of the Ministry's internal auditors. The internal auditors and the Corporate Audit Cluster from Management Board Secretariat had also conducted reviews of the security measures in place at the Office. As a result, we were able to rely on them and reduce the scope of our work on security controls, and their relevant concerns were incorporated into our audit.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Summary

Until a few years ago, the Office, with a staff of 140, registered all vital events and provided the public with timely and reliable service for all document requests. However, due largely to significant and continuing problems with the implementation of a new computer system and human resources issues, service levels plummeted, and the turnaround time to get essential documents went from being about three weeks to several months, even a year or more, despite more than a doubling of staff. At the time of our audit, the Office indicated that the situation had improved and the certificate delivery time had been reduced to between six and eight weeks. However, we found that it often still took months to obtain certificates, and some people had not yet received documents requested more than a year before.

We concluded that significant improvements were required in a number of key areas. For instance:

- The Office's call centres were not effective in handling the public's inquiries and complaints—99% of the telephone calls to them either were blocked with busy signals or were disconnected before callers could reach someone to help them.
- Prudent business and information technology practices were not being followed in the acquisition, development, and implementation of a new computer system. As of March 2005, the system had cost over $10 million—more than $6 million above the original estimate of $3.75 million. Furthermore, the system was implemented before it was ready, with numerous outstanding work orders and without many of the necessary capabilities in place. Processing applications for certificates was still being delayed as the result of system downtime and staff having to bypass automated functions in order to handle transactions manually.
- Staff morale was low and productivity declined significantly because of a poorly planned organization restructuring and questionable promotion practices. Specifically, a new level of managers was appointed, without competition or job specification. Clerical staff with relatively little experience in management were appointed to supervise existing managers to whom they used to report. None of the existing managers was given an opportunity to compete for the new positions.
- There were inadequate controls to safeguard registration information. For example, the Office did not have off-site storage of the tape backup for the computer system. The inability to recover data posed a high risk in the event of a disaster, such as a fire. In addition, controls restricting unauthorized access to confidential personal information were weak. These weaknesses included no firewall protection for registration data and inadequate tracking and monitoring of access to the computer systems.

In spite of the problems faced by the Office, it was apparent that staff were dedicated, concerned about the significant backlogs, and frustrated by the operational issues that had to be overcome to improve service delivery. We were informed that, subsequent to the completion of our fieldwork, staff efforts had resulted in progress being made in improving service levels.

OVERALL MINISTRY RESPONSE

The Ministry recognizes that backlogs in a number of areas resulted in very significant service issues for the public throughout 2004. Fieldwork conducted by the Auditor General's staff was undertaken prior to the Ministry having completed implementation of its backlog reduction plan, or full implementation of its service improvement plan. The service issues identified by the Auditor General that were directly associated with certificate and registration backlogs have been largely resolved.

Faced with growing service challenges in early 2004, the Ministry developed and received approval for a backlog reduction plan based on the principle of focusing resources first on areas where longer processing times were creating the most significant impact on the public—starting with certificate requests. The Ministry achieved the backlog reduction targets that were established and is meeting its six-to-eight-week service standard for certificate application and registration processing. Issues raised by the Auditor General relating to handling of requests for additional information from clients when certificate applications had not been completed correctly, as well as the processing of that additional information, were also largely either backlog- or transition-related and have since been resolved. The Ministry, however, acknowledges that the processing time for returned correspondence remains too high and has a plan to improve this service by the end of November 2005.

The handling of customer inquiries and complaints remains of significant concern to the Ministry, and it fully accepts the need to substantially improve service in this area. Steps are being taken to better utilize existing call-centre infrastructure and answer more calls, including the addition of several more operators and improved access to the system, which has already significantly reduced the number of callers getting a busy signal. To further improve on this, the Office of the Registrar General (Office) is accelerating implementation of its new call-centre technology so that the public can expect a more positive client experience by December 2005. In addition, self-serve application status checking over the telephone will be available to the public by March 2006.

In parallel with the implementation of its backlog reduction plan, the Ministry developed, secured approval for, and is on track with the implementation of its long-term service improvement plan for the Office. From a service delivery perspective, key elements of the service improvement plan include making all birth, death, and marriage certificate applications available online, with a 15-day processing-and-delivery service standard, by March 2006. Early successes include the implementation of an on-line birth certificate application for children eight years of age and under. Electronic registration for births (including integration of birth registration and certificate applications) and deaths will be progressively implemented, commencing with the introduction of an Integrated Birth Registration "Smart Form" by February 2006.

The service improvement plan also includes investments in strengthening the Office's organizational capacity to manage both ongoing operations and future change. This includes targeted investments in strengthening management capacity and training, quality assurance, and security.

Detailed Audit Observations

REGISTERING VITAL EVENTS AND ISSUING CERTIFICATES

The issuing of a birth, death, or marriage certificate in Ontario is a two-stage process. First, the vital event itself must be registered. For instance, when a birth or death occurs, the appropriate form must be completed and forwarded to the Division Registrar's office in the municipality in which the event occurred. The Division Registrar (a municipal office) then forwards the form to the Office so that the event can be registered with the province. In the case of a marriage, the person who performed the marriage must forward the appropriate documentation directly to the Office for registration.

This first stage must be completed before one can proceed to the second stage, which is obtaining a certificate. To obtain a certificate, an applicant must submit a completed application form with the required fee payment. Individuals may obtain birth, death, and marriage certificates by applying either through the Office's head office in Thunder Bay or through one of the Ministry's land registry offices.

Recent Issues

Following the terrorist attacks in the United States on September 11, 2001 (9/11), the issue of identity theft became a heightened concern. In response, the Office implemented tighter security measures in October 2001. It also hired about 50 more staff to handle the additional security requirements and was thus able to maintain timely services to the public in the following two years.

In November 2003, Ontarians began experiencing delays in the services provided by the Office. By early 2004, Ontarians who had applied for certificates were complaining—to the Office, to the media, and to their Members of Provincial Parliament—that they were not receiving their certificates and, furthermore, that they had not been able to get through to the Office. The Office responded by saying that delays were being caused by a significant increase in demand for services and by the new security measures.

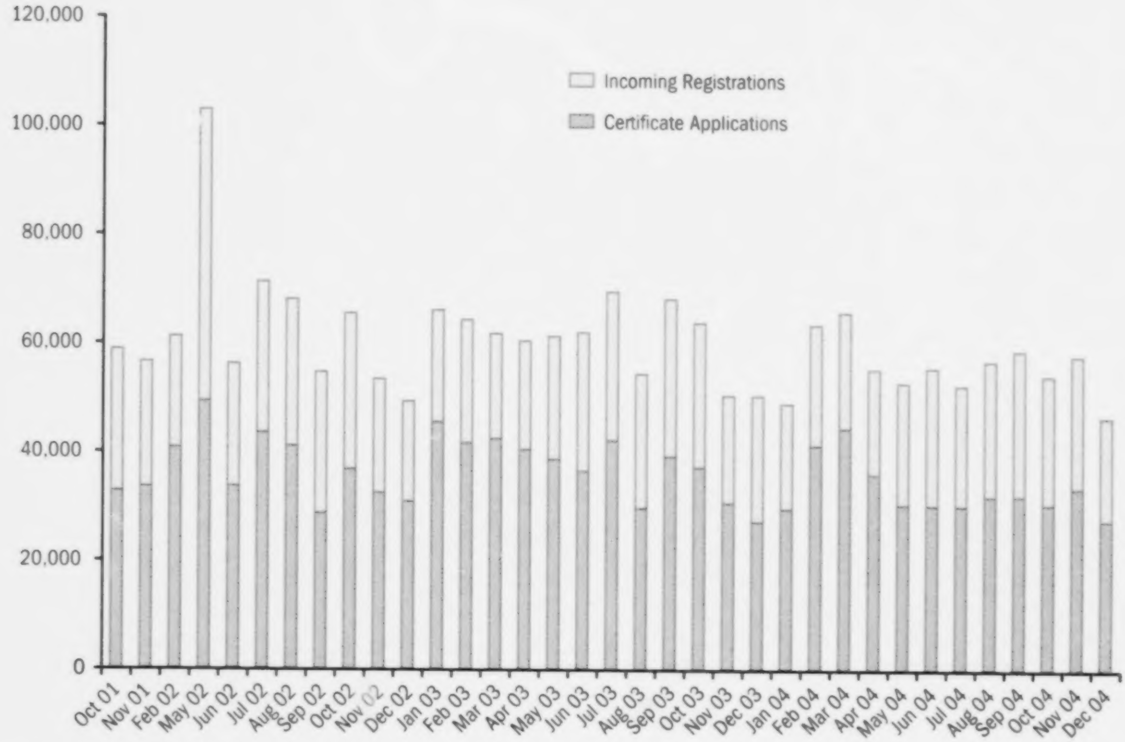
However, our audit indicated that Ontario, like other Canadian jurisdictions, had not experienced a significant increase in the demand for services in recent years. In fact, since November 2003, the overall demand for services—including both registrations of vital events and applications for certificates—had remained relatively stable, as demonstrated in Figure 1.

With respect to the impact of the new security measures on the turnaround time for processing certificates, the Office informed us that even with additional staff, it was not able to handle the increased workload that resulted. While staffing levels may have contributed to the problem, our audit indicated that two internal issues were primarily responsible for the delays in providing certificates: inefficiencies created by the implementation of a computer system that was not ready to be implemented and a management reorganization that contributed to low morale and reduced productivity. Our specific concerns related to these two areas are discussed later in this report in the sections titled "VISION: A New Computer System" and "Managing Human Resources."

At the time of our audit, the Office indicated that since July 2004 it had reduced its inventory of outstanding certificate applications to 30,000 and could deliver a certificate within a six-to-eight-week period. However, we noted that this number of applications represented less than about one-third of all outstanding certificate applications. As well, the stated turnaround time applied only in cases where the vital event had been properly processed. As there was a significant backlog in registering vital events, many applicants would have placed undue reliance on getting their certificates

Figure 1: Incoming Registrations and Certificate Applications, October 2001–December 2004

Source of data: Office of the Registrar General



Note: Data are not available for December 2001, January 2002, March 2002, and April 2002.

in a timely manner. The following two sections outline more specifically the nature of the delays in processing both registrations and applications for certificates.

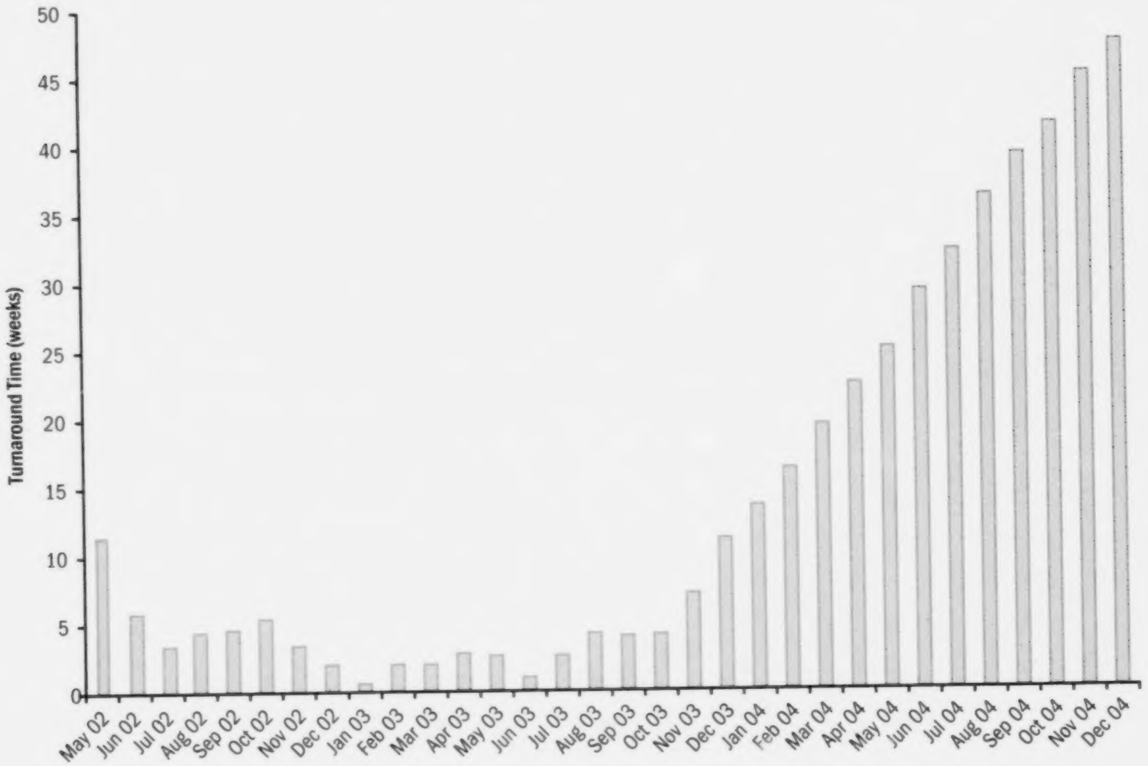
Delays in Registrations

Illustrated in Figure 2 are the results of our review of the turnaround time for registering vital events in Ontario, as taken from the Office's production records. Until November 2003, the average registration turnaround time was about two and a half weeks. After that, the turnaround time increased until, by the end of December 2004, many registrations were taking almost a year to be fully processed. During that time, the Office's priority was to register births, but even for births it often took months after the Office received the information before the event was registered. As well, as of December 31, 2004, there were more than 178,000 vital events outstanding that were awaiting registration, as shown in Figure 3. By comparison, between September 2001 and November 2003, the Office had an average outstanding balance of fewer than 20,000 registrations.

In addition to the 178,000 unprocessed registrations, there were another 8,000 registrations that required correcting because of errors in the original registrations. The errors were usually brought to the Office's attention when citizens were sent the registration data and asked to confirm the accuracy of this information or when applications for certificates didn't match the Office's records. However, the required corrections were not made unless applicants followed up and complained. We noted

Figure 2: Vital Events Registration Turnaround Time, May 2002–December 2004

Source of data: Office of the Registrar General



one case, for example, where the Office received an application for a certificate in September 2003, and staff realized in April 2004 that the applicant's name was misspelled in the registration record because of a data input error; but the information was not corrected until January 2005 and only after the applicant complained.

We also found 3,000 cases where applications for certificates had been submitted but the Office had no record of the registration data having ever been received. In these cases, the Office should have informed applicants that they needed to file a registration form to register the vital event before the certificate application could be processed. However, many of these applications were over a year old, and the Office had still not advised the applicants of the problem. For example, we found an application for a birth certificate that was submitted in January 2004 for which the Office did not have registration information. The Office took no action to inform the applicant of the problem, even though the applicant submitted two more applications in March 2004 and July 2004 and paid for the service three times. As of February 2005—over a year after the initial application was submitted—this individual still had not been informed of the reason why their application was not being processed.

Figure 3: Vital Events Not Registered, as of December 31, 2004

Source of data: Office of the Registrar General

Vital Event	Outstanding Registrations
birth	43,000
death	80,000
marriage	50,000
other	5,000
Total	**178,000**

RECOMMENDATION

To properly discharge its legislative responsibilities in registering vital events, the Office of the Registrar General should:

- take steps to bring all outstanding registrations up to date and process incoming registrations when notification of the vital events is received;
- correct all errors in the original registration records promptly once they have been brought to the Office's attention; and
- inform certificate applicants on a timely basis in cases when the vital event has not been registered and specify what, if any, action is required on their part.

OFFICE RESPONSE

The Office supports this recommendation.

The Office confirms that it is meeting published service standards for both registration and certification services.

In 2004, the Office did experience longer processing times for certificates and registration services, and it recognizes that these had a significant impact on its clients. In response, the government approved and funded recovery plans to eliminate delays in each area based on the impact on clients. Since spring 2005, the Office has been meeting service standards for birth, marriage, and death registrations of six to eight weeks if documents are complete and accurate. Throughout 2004 and early 2005, the Office had procedures in place to handle requests to expedite registrations in urgent situations (for example, marriage certificates required for immigration purposes or parents needing birth certificates for their children in order to apply for RESPs).

Pending registrations have been reduced from a high of 178,000 to approximately 50,000, which reflects the six-to-eight-week service standard. Work is underway to register births (including integration of birth registration and birth certificate applications) and deaths electronically, commencing with the implementation of an Integrated Birth Registration "Smart Form" in early 2006. This will not only improve the convenience and speed of service for clients but also further increase the quality of registrations, thereby reducing registration errors made by the Office.

As a result of staff being deployed to eliminate cerficate and registration processing delays, the Office was not able to correct records promptly in 2004. This situation has been rectified, and errors are now corrected promptly when brought to the Office's attention. The Office has begun the process of establishing an enhanced quality-service program that, when complete, will result in fewer records with errors and improve service to clients. Additional registration data entry edits were implemented in November 2003, in order to reduce the incidence of errors and reduce the requirement for corrections.

By early November 2005, the Office will be notifying applicants on a timely basis should they request a certificate for an event that has not been registered and will continue to send out Delayed Registration Forms in cases where the vital events occurred more than a year ago. The Office is also implementing a number of proactive measures to better inform clients about the registration and certificate application process, including providing information to parents of newborns at birthing hospitals and advising parents using the on-line birth certificate application about estimated time frames for registrations. Work is underway to give parents of newborns the choice of registering the birth and applying for a certificate at the same time as part of the Office's service improvement plan. Integrated birth registration will be phased in, beginning with an electronic "Smart Form" for birth registration, in early 2006.

Delays in Certificates

During our audit, the Office stated that it was able to issue certificates within six to eight weeks based on an inventory of 30,000 outstanding certificate applications. We noted that the 30,000 represented less than one-third of over 90,000 applications outstanding. Specifically, this total did not include over 63,000 applications that the Office had not completed processing for a variety of reasons. For 47,000 of these applications, the Office indicated that it was awaiting reponses from the applicants. Many of these 47,000 files had been outstanding for more than 300 days. As of the end of December 2004, the status of these 47,000 outstanding files was as follows:

- About 15,000 applicants had been informed that additional information was required, but we noted that the Office was slow in contacting the applicants. In one case, for example, the Office did not inform an applicant until October 2004 that additional information about their guarantor was required, even though the application had been received and the fee paid a year earlier, in October 2003. At the completion of our audit, five months later, the Office was still awaiting a response from the applicant and had not done any follow-up on the status of its request.
- Another 10,000 applicants the Office had contacted for more information had responded to the Office's request for information, but the Office had yet to process their applications. In one case we reviewed, for an application that was received in October 2003 without a required signature and phone number, a request for the missing information was sent out in April 2004; and although the applicant responded in the same month, the application was not reviewed again until seven months later, in November 2004. The printed certificate was returned in January 2005 by the post office indicating that the applicant had moved.
- The remaining 22,000 outstanding applications were labelled as awaiting applicant responses, but the Office could not determine whether applicants had ever been informed that more information was required of them. We noted instances where applicants had been waiting for well over a year and the Office did not inform them that certain information was missing—even for minor omissions—until we brought these 22,000 applications to the Office's attention in February 2005. When we raised this issue with the Office, staff indicated that they had not been able to send out electronically generated requests for additional information between November 2003 and June 2004 because the computer system had malfunctioned. Some requests were sent out manually when complaints were received from applicants in following up on their applications.

After our audit, the Office informed us that it had reviewed applications where it was unclear if applicants had been informed that responses were required from them. Office staff indicated that, as of April 2005, the number of applications requiring follow-up action to assess whether correspondence had been sent out had been reduced from 22,000 to about 16,000.

Taking all certificate applications into account, the inventory of unprocessed certificates was much higher than the 30,000 reported by the Office. The six-to-eight-week promised turnaround time was made possible only by excluding more than half the applications.

Because certificates issued by the Office (such as birth certificates) are required when applying for other important documents and forms of identification (such as social insurance numbers, health cards, and passports), because of the delays in processing already discussed, and because of problems getting through to the Office to inquire about the status of their applications (see the "Call Centres" section later in this report), many applicants submitted multiple applications and payments in order to be sure their applications had been received. These multiple applications led to duplicate work for staff to process and the need to send out refunds. The Office did not have information on the extent of multiple applications and payments, but our examination identified a minimum of 18,000 refunds pending at the end of our audit in March 2005.

RECOMMENDATION

To provide more timely and effective customer service, the Office of the Registrar General should:

- provide a more reliable estimate to applicants on the turnaround time for birth, death, and marriage certificates;
- track incoming applications for certificates better and, if information is missing, promptly advise applicants and follow up when the information is not forthcoming; and
- promptly process the applications where additional information has been provided as requested.

OFFICE RESPONSE

The Office supports this recommendation.

In 2004, the Office experienced delays in processing times in certificate services and registration services, and it recognizes that these had a significant impact on its clients. In response, the Office developed targeted recovery plans to eliminate delays in each area, focusing first on those areas where backlogs resulted in the greatest inconvenience to clients.

The Ministry is achieving its published service standard of six to eight weeks for the processing of most properly completed and correct regular birth, death, and marriage certificate requests where events have been registered. The Office meets these standards for certificate processing for over 90% of these applications: emergency, 48 hours; expedited, 10 business days; and regular service, six to eight weeks. The Office will continue to work through initiatives such as the enhanced quality-service plan that was started in August 2005 to increase the percentages of applications processed within published service standards.

The introduction of on-line certificate applications is enabling the Office to deliver substantially enhanced service. Starting with birth certificates, which represent 80% of all certificate requests, the Office introduced an on-line application for children eight years of age and under in June 2005. This new on-line application is already handling over 50% of child applications, or about 25% of all birth certificate applications. The service standard for processing on-line applications is 15 days, which is currently being achieved over 99% of the time. In November 2005, adults and children over age nine will be able to apply for a birth certificate on-line. On-line applications will be available for other certificate types by March 2006.

The Office has reported processing/wait times for certificates and registrations via the ministry website and on its 1-800 system since 2004 and will continue to do so.

Currently, any necessary correspondence is being sent within six to eight weeks for regular applications (less for emergency, expedited, and on-line applications). The Ministry has taken steps to reduce the time it takes to process returned correspondence to six to eight weeks or less by the end of November 2005. On-line applications are substantially reducing the need for additional correspondence by addressing possible errors at source. Files requiring correspondence have been reduced to less than 5% for on-line applications (compared to at least 15% for mailed-in applications).

The Office tracks all files requiring refunds. Outstanding refunds have been reduced from approximately 18,000 to 1,500.

HANDLING INQUIRIES AND COMPLAINTS

Call Centres

The Office has two call centres—one in Thunder Bay and one in Toronto—with 38 staff to handle phone and email inquiries in both French and English. The call centres operate between the hours of 8:30 a.m. and 5 p.m. from Monday to Friday.

We noted that the call centres were not effective in addressing the needs of callers. Specifically, a report prepared by Bell Canada in June 2004—at the Office's request—indicated that 97% of the 130,000 calls made each day to the call centres were blocked by busy signals. Many of these calls would be from the same callers, who were trying to get through. Our review of office call logs for the year ended December 31, 2004 indicated that the situation had not improved since June. Even for the small percentage of callers who were able to access one of the phone lines, we found that:

- 80% would eventually be disconnected after an extended period of time waiting for the call to be answered;
- 4% would get through to an automated answering queue and abandon their calls before an operator could reach them; and
- 16% would speak to an operator, but would often find out that the Office could not provide information about the status of their applications if it had not started to work on or had not completed the registration.

Ultimately, less than one-half of 1% of callers received any useful information.

MPP Inquiries Unit

The Office has a unit dedicated to handling Member of Provincial Parliament (MPP) inquiries on behalf of their constitutents. In response to the large number of public complaints to MPPs, in February 2004 the Office increased its staff for the MPP inquiries unit from two to 15 to respond to the approximately 4,000 MPP inquiries that came in monthly. We noted that:

- The MPP unit staff were able to answer inquiries within 48 hours of receiving a call through lines specifically designated for them.
- Many requests to the unit were resolved directly by staff in the unit. In those cases, they would process the applications by performing the procedures necessary to issue the certificate.

The MPP unit was effective in handling complaints made to MPPs' offices. However, this practice essentially established two levels of service with respect to handling public inquiries. Those applicants who did not complain to MPPs could see this practice as being unfair. Clearly, the optimal solution would be to have the call centres handle all public inquiries in a satisfactory manner.

At the time of our audit, the Office was considering increasing the resources of the call centres. However, there were already more than 50 staff members working in the call centres and the MPP unit combined to deal with complaints. This number of staff was needed only because far too many applicants had not been receiving a satisfactory level of service; and even with this number of staff, they could not handle the call volume, with the exception of the calls referred through MPPs' offices.

Call-centre staff indicated to us that they spent much of the day apologizing to callers for unacceptable delays. Methods used in the call-centre industry to address calls and minimize customer complaints should be considered. These could include more automated telephone lines informing the public about the volume of calls, and messages that indicate the estimated waiting time according to call volume and the estimated turnaround time for each type of service.

RECOMMENDATION

To deal more effectively and efficiently with applicant inquiries and complaints, the Office of the Registrar General should:

- consider providing automated prerecorded messages to inform applicants of the delays and estimated times for delivery of various types of certificates; and
- review the current deployment of staff with a view to increasing the efficiency of the Office's operations.

OFFICE RESPONSE

The Office supports this recommendation.

The Office recognizes that the public's expectations for access to information via the telephone channel exceed the current technology and that call-centre services need to be improved. The Office, in partnership with ServiceOntario, is taking a number of steps to improve service in both the short and long term:

- In October 2005, the Office will strengthen the capacity of its existing call centre and simplify/improve recorded messaging in order to answer more calls and enable more people to access general information without operator assistance.
- The Office and ServiceOntario will also begin implementation of its long-term solution, new telephone technology, to drastically reduce the number of callers who get a busy signal and improve access to general information with integrated voice recognition (IVR). Implementation of this long-term solution is being accelerated, with the benefit of these service improvements expected to be felt in December 2005. Callers will be able to check the status of their certificate applications over the phone, without speaking to an operator, by March 2006.

In addition to expanding and improving the capacity of the call centre itself, the Office is implementing a number of initiatives to both reduce and divert call volume. On-line self-service status checking, available by December 2005, will provide a fast and convenient alternative for the upwards of 75% of callers who are seeking information on the status of their applications. The expansion of on-line certificate applications is also expected to result in significant reductions in call volumes as processing times are reduced by at least 75% and files requiring additional communication/correspondence with clients are reduced by over 60%. Reductions in return correspondence will also result in fewer calls.

As part of the Office's program review completed in 2004/05, an external consultant recommended specific increases in staffing to address historic shortages and to properly support the business. This staffing model is now being implemented. The Office will continue to perform daily monitoring of productivity and staff deployment in order to seize opportunities to further improve service to clients.

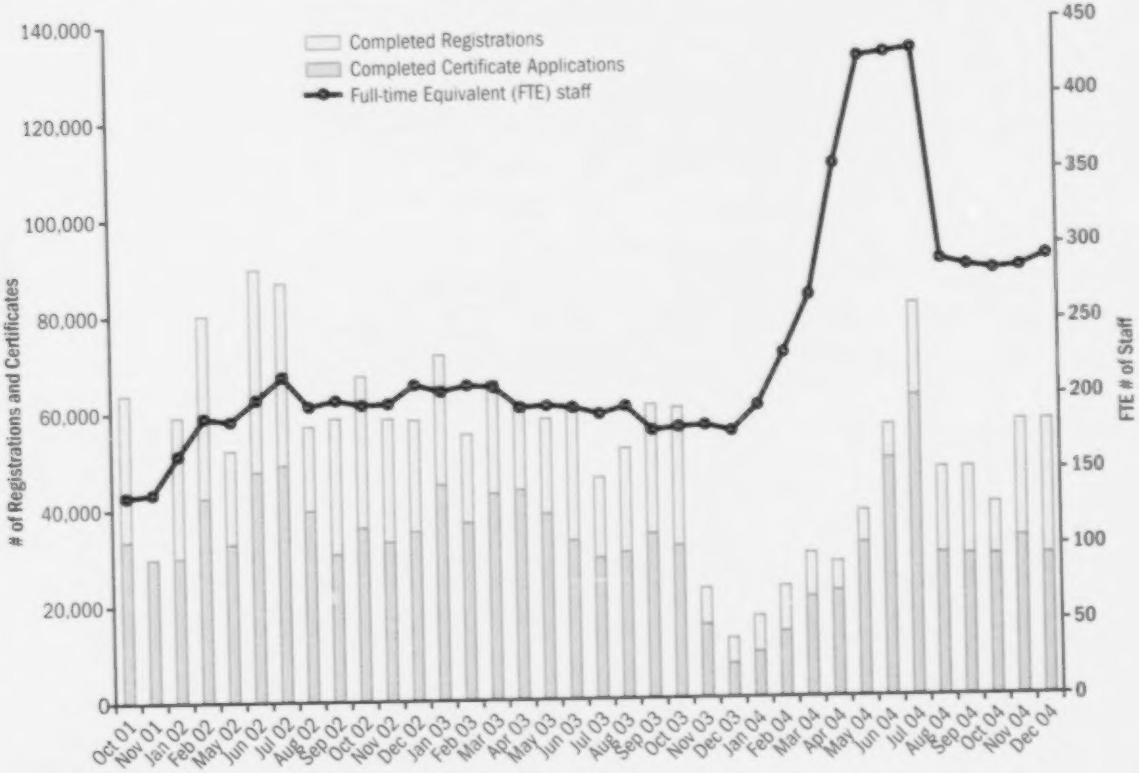
VISION: A NEW COMPUTER SYSTEM

As indicated earlier, in our view, inefficiencies created by the hasty implementation of a new computer system called VISION (Vital Statistics Information Ontario System) for processing certificates in November 2003 was the main reason for the decline in staff productivity and the resulting large number of outstanding certificate applications. This view is supported by a significant decline in the number of registrations and certificates being processed beginning at the time that VISION was first being implemented, as illustrated in Figure 4. Although the Office had more than doubled the number of staff since then to deal with this accumulation of work, it still had not managed to process as many registrations and certificate applications as before.

We have significant concerns that prudent business and information technology practices were not followed in the procurement, development, and implementation of the new system, and these concerns are outlined in detail in the following sections.

Figure 4: Total Registrations and Certificate Applications Processed, October 2001–December 2004

Source of data: Office of the Registrar General



Note: Data are not available for December 2001, March 2002, and April 2002.

System Procurement

In March 1998, the Office obtained approval from the Management Board of Cabinet (MBC) to spend up to $7.8 million to replace its old information system within five years. The business case used to obtain MBC approval was based on a detailed analysis of the projected costs for hardware, software, and applications to replace the existing computer system. Of the approved amount, $4.4 million was to be used for one-time acquisition and implementation of the new system and $3.4 million was for ongoing maintenance and support. Confirmation of projected costs was done through preliminary quotations from vendors and discussion with other jurisdictions that were in the process of replacing their vital statistics information system (including other Canadian provinces, the United States, and Australia).

The projected operational benefit was a staff saving of about 48 FTEs (full-time-equivalent staff), about 35% of the Office's staff, after implementation of the new system. The submission to the MBC indicated that the ongoing quantifiable direct cost savings would grow to $2.9 million per year based on a detailed analysis of office workforce allocation by activity and function. The new system would perform electronic registrations for births, deaths, and marriages and reduce the time needed to register events from weeks to days, with higher-quality registration data.

The business case recommended purchasing "a package that has been successfully implemented in other vital statistics jurisdictions. This will deliver a system that is proven, standards-based, supportable, less costly, and in a more timely fashion." The normal procurement procedure with a request for proposals (RFP) was to be used for the selection of the package, with customization, to ensure that core functionalities and requirements would be met.

In fall 2001, a consultant was engaged by the Office to survey vendors of vital statistics information system programs. The survey results indicated that the cost to purchase such a program would be up to $1.5 million, plus customization costs to revise the software to meet the Office's specific needs. However, in December 2001, the Office decided that it would develop the system internally.

In an October 2001 submission to the MBC, the Ministry estimated the cost of building the system to be less than purchasing an existing system. It stated that in "evaluating the validity of this estimate, the Ministry recognizes that an RFP or formal negotiation with a vendor would provide the most validity. However, an RFP process could stretch the procurement process to between three and four months." The Ministry requested that it be given flexibility in procurement to pick a vendor from the vendor-of-record (VOR) listing to deliver the system. VOR arrangements are part of a government-wide policy for the ongoing acquisition of commonly purchased goods and services, including IT consulting services, over a specified term and for specified amounts. In making this request, the Ministry recognized that its proposal involved "exceeding the current ceiling for utilizing the VOR."

The minutes from the MBC's November 2001 meeting noted the approximate cost of $1.5 million for the system and directed the Ministry to follow normal procurement procedures. In addition, the MBC directed the Ministry to report on the project by providing implementation details and milestones completed and the associated revised staff-reduction plan in the Ministry's 2002/03 Business Plan. The Ministry indicated to us that it interpreted the direction from the MBC as granting it the flexibility it requested for procurement by VOR rather than through a competitive RFP. However, given that government procurement directives state that ministries can use the VOR for IT projects only when the estimated cost is $500,000 or less (the system's cost was then estimated to be $1.5 million), the normal procurement procedure to follow would have been an open tender through an RFP.

The only documentation to support the change in approach was an internal presentation made to the then–Deputy Minister. It stated that despite increased costs and substantially expanded business requirements since 9/11 relating to security and fraud detection, the $3.75-million estimate associated with planning and implementing the new computer system remained fundamentally sound. However, the $650,000 (of the $4.4 million) that had originally been approved would not be enough to implement electronic registration. In addition, the Office would be able to achieve a staff saving of only 19.5 FTEs, instead of the 48 originally envisioned, through automation of fraud detection/prevention measures. The presentation stated further that building the system internally would:

- allow the Office to expand existing capabilities;
- cost an estimated $4.2 million (with a risk that this figure could reach $4.7 million if there were unexpected circumstances)—buying was now estimated to have a one-time cost of $4 million to $6 million (and would require an RFP to confirm); and
- allow for implementation in November 2002, whereas buying would allow for a spring 2003 implementation at the earliest.

The presentation recommended building internally because buying risked unknown costs, time, and capability. This view, however, contradicted the original detailed business case submission that purchasing a packaged system would be less costly and more reliable, and would provide opportunities for the Office to adopt procedures that had been successful in other vital statistics jurisdictions.

We also noted that the Office did not have proper analysis and information to support the projection of time and costs for developing the system internally. Furthermore, with the decision to not issue an RFP, the Office did not know what costs, timing, and abilities outside vendors could offer for meeting the Office's requirements. The Office also had not reported back on the project as directed by the MBC with implementation details and milestones completed and the associated revised staff-reduction plan in the Ministry's 2002/03 Business Plan.

Our examination indicated that in December 2001, when the decision to build or buy had to be made, there were good opportunities to benefit from the experiences of other jurisdictions. For instance, both British Columbia and Manitoba had already successfully implemented their vital statistics information system. Manitoba took only about 10 months to complete the development, conversion, and implementation of its new system—an external package that it purchased and customized for its requirements. The system developed and implemented by B.C. was subsequently purchased by a number of U.S. states. These states, including Alaska, Michigan, Ohio, and Pennsylvania (which adopted only the births component) had all successfully implemented the system, with customizations, by the time of our audit.

RECOMMENDATION

To promote better value for money for taxpayers when acquiring any major computer system, the Office of the Registrar General should:

- ensure that sound project-planning practices for information technology are followed when deciding whether to buy the system or build it internally, giving due consideration to the capacity and experience of staff as well as objectively considering whether proven solutions exist in the marketplace;
- ensure that timelines and project costs for acquiring the system, whether it is built internally or bought from outside vendors, are based on a sound and objective analysis; and
- ensure that specific Management Board of Cabinet approval is obtained when there

are significant changes to the originally approved business case and approach.

OFFICE RESPONSE

The Office supports this recommendation.

The Ministry's original 1998 business case and submission to the Management Board of Cabinet (MBC) indicated an intent to "acquire" a new system. However, with the fundamental re-scoping of the project in 2001 to focus on the implementation of enhanced security, the Ministry revised its approach to one of developing the system rather than acquiring an "off-the-shelf" solution. The decision to build rather than buy was based upon an analysis of the Office's legislated enhanced security requirements (substantially more rigorous than those in place at the time in the other jurisdictions cited in the Auditor General's report) and the solutions available in the marketplace at the time.

In its October 2001 report to the MBC, the Ministry indicated its intent to build versus buy the new system in order to achieve the Office's enhanced security objectives as rapidly as possible. Having informed the MBC of its intention, the Ministry believed that its approach to resourcing the project was fully in compliance with normal government procurement practices, as directed by the MBC.

It is recognized that large-scale information and information technology projects are complex in nature and that the Office, like many organizations, faced challenges, particularly in regard to fully understanding the scope of the task and the complexity, risk, and accompanying degree of business transformation affecting the initial estimation and management of this project. These types of challenges were noted in the *Report of Ontario's Special Task Force on the Management of Large-Scale Information and Information Technology Projects* (July 2005). The government supports, in principle, the recommendations set out in the report and has committed to responding in full within 90 days.

System Development

Our audit showed that the Office was too optimistic in attempting to develop a system internally in a short time using its existing resources and did not follow accepted system development methodology in developing the new VISION system.

Defining of Roles, Business Requirements, and System Design

A critical first step in the development of a system project is to obtain approval through a project charter at the planning phase. The charter is to be based on a thorough assessment of user requirements and is usually produced prior to commencing a project in order to establish and confirm each party's commitment to meeting specific timelines, providing the resources needed, and being accountable for meeting all project deliverables. We were provided with a draft copy of the charter but were informed that a signed copy had never existed. Also, the draft charter indicated that the respective roles of the Office's users, the project team, and the technical staff were to be defined in a service-level agreement. We were informed that no such agreement existed.

Development of a clear understanding of business requirements is critical to the success of any computer development project. Accordingly, the first deliverable identified in the unsigned project charter was to be the definition of requirements by March 2002 and the completion of system design by May 2002. Our discussion with users and project development staff indicated that both groups had significant concerns with the business requirements definition and the system design processes. Specifically:

- The communication of business requirements was largely informal, either verbal or through an exchange of emails, and was done without a formal document that laid out in detail what the users of the system required before proceeding to the design phase. Staff indicated that throughout the entire project, business requirements were often communicated to developers with only two weeks to complete the required programming.
- Without a clear definition of and sign-off on business requirements, even basic requirements were open to interpretation by users and the project design team.
- Pressure to complete the project frequently overrode the needs of the users. For instance, because of time pressures, project staff were forced to move into the design phase before requirements were finalized and approved. This led the project team to make assumptions about the requirements that later had to be revised at a significant cost in time and resources.

Testing Standards and Methodology

Our review identified a number of weaknesses in the quality-assurance process that was designed to ensure that the system was adequately tested before implementation. Specifically:

- System-testing activities were done on an ad hoc basis without a proper testing plan and cases, standard testing tools, and quality-assurance checklists.
- Testing staff often indicated that they were not sure what was expected of them because they were not involved in the original requirements development. According to testers, this resulted in things being "lost in translation" in terms of expected results.
- Testing staff indicated that they did not have enough time to complete their testing prior to the system being implemented. For example, the security architecture was not tested because the necessary master reference table was not available before implementation.
- For those areas where they were able to complete testing just prior to implementation, most tests failed. However, the system was implemented despite the expressed concerns of the testing staff.
- Significant work orders that should have been addressed were often ignored in the development phase. In fact, new program code was built on code that was known to have problems—a situation that made it even more costly in time and resources to fix problems after implementation.

System Implementation

VISION was implemented on November 22, 2003, but according to the line managers (users), system testers, system staff, and developers we interviewed, the system was not ready. Many functions—change of name, stillbirth, parentage, and amendments—were either partly working or not working. Other problems included the system's inability to print correspondence, process credit-card payments, process refunds, and determine correct payments.

We also noted that there were more than 300 work orders outstanding at the time of implementation. Of these, 28 were identified as critical. An additional 800 work orders were created after the system was implemented: 200 were identified by production staff and the other 600 by testers. In total, approximately 1,600 work orders had been requested, and as of March 31, 2005, about 380 of these had still not been dealt with: 128 of these had been identified as critical.

To ensure that operations are not disrupted, it is prudent to require a parallel run of both the old and new systems for a short time to support implementation of the new system. We noted that, despite the fact that numerous critical work orders had not been dealt with, the old system was not maintained while VISION was implemented: we were informed that this was because there were not enough staff to run both.

Staff who processed certificates at the Office complained that the new system was very unstable and had frequent downtimes due to system crashes. We noted recent downtimes during our audit that showed that the system had still not stabilized:

November 2004 – 590 minutes
December 2004 – 1,480 minutes
January 2005 – 1,666 minutes
February 2005 – 2,660 minutes

The Office indicated that VISION was down in February mainly due to problems with the configuration between its server application and its operating system. Our review of the downtime log for February 2005 indicated that the system was down 52 times on 14 different days, which clearly impeded the staff's ability to perform the main functions of their job.

During our audit, we witnessed first-hand, over a period of one week, the system being shut down for two full days and, on the three other days, staff having to wait for hours for the system to start working again in the late afternoon. Our review of production records showed that registration production was down by two-thirds and certificate production by one-fifth, when compared to the previous week.

As the system was hurried into production with many outstanding work orders and without all the functionalities, user staff had to correct those problems at various times by working around them manually.

Our audit found that instead of VISION being implemented, as planned, in November 2002 at a one-time cost of $3.75 million, the system was implemented a year later, it was implemented before it was ready, and as of the end of our audit, it had cost over $10.2 million. In March 2005, at the completion of our fieldwork, the system still had close to 380 work orders outstanding. Furthermore, instead of being able to reduce staff by 19.5 FTEs as originally proposed, the Office had to hire significantly more staff to process transactions manually because of the problems being experienced with the new system. As of March 2005, the Office had a staffing level of 326 FTEs, compared to 175 FTEs in October 2003.

In summary, we identified concerns with the supporting business case, the definition of business requirements, the accountability for system development, and the conducting of testing. Most of these concerns were also identified in the recent *Report of Ontario's Special Task Force on the Management of Large-Scale Information and Information Technology Projects* as being common challenges facing government ministries.

RECOMMENDATION

To ensure the delivery of timely service to the public and to help achieve the original objectives of the project in making the Office of the Registrar General more effective and efficient, the Ministry should:

- establish accountability for development and implementation of the project to make sure that the roles of respective stakeholders are clearly understood and fulfilled; and
- expedite efforts to fix all critical outstanding work orders to ensure that the system functions properly and provides a stable environment for staff to work with.

OFFICE RESPONSE

Due to the overriding need to implement enhanced security in a tight time frame, the Ministry recognizes that some aspects of project documentation were less formal than best practices would recommend. Subsequent phases of the project have been planned to ensure that all documentation requirements and best practices are followed. The Office will ensure that all major systems initiatives have properly prepared and approved project charters, service-level agreements, and memoranda of understanding.

It is recognized that large-scale information and information technology projects are complex in nature and that the Office, like many organizations, faced challenges, particularly in regard to fully understanding the scope of the task and the complexity, risk, and accompanying degree of business transformation affecting the initial estimation and management of this project. These types of challenges were noted in the *Report of Ontario's Special Task Force on the Management of Large-Scale Information and Information Technology Projects* (July 2005). The government supports, in principle, the recommendations set out in the report and has committed to responding in full within 90 days.

Work orders deemed critical will continue to be implemented on a priority basis. Low-priority work orders will be addressed as appropriate based on business need. The Office was registering events and was successfully and securely processing certificate requests from Day 1 of implementation. Over 1.25 million registrations and certificate applications have subsequently been securely processed through the new system. While the Office did require additional production staff to address backlogs, by September 2005, a similar number of staff were processing registrations and certificate applications compared to fall 2003, despite the implementation of substantially increased security measures (which had been clearly established as the primary objective of the new system) and increased certificate application volumes. In August 2005, downtime related to the new VISION system was 0.3%. The new system and processes form the foundation for service improvements such as the successful online certificate service for children eight years of age and under. A third-party review of the Office's information technology system will be conducted to validate that the system successfully meets its business requirements.

MANAGING HUMAN RESOURCES

Our review indicated that a poorly planned and carried out organization restructuring that took place in October 2003 contributed to low morale and a resulting decline in staff productivity.

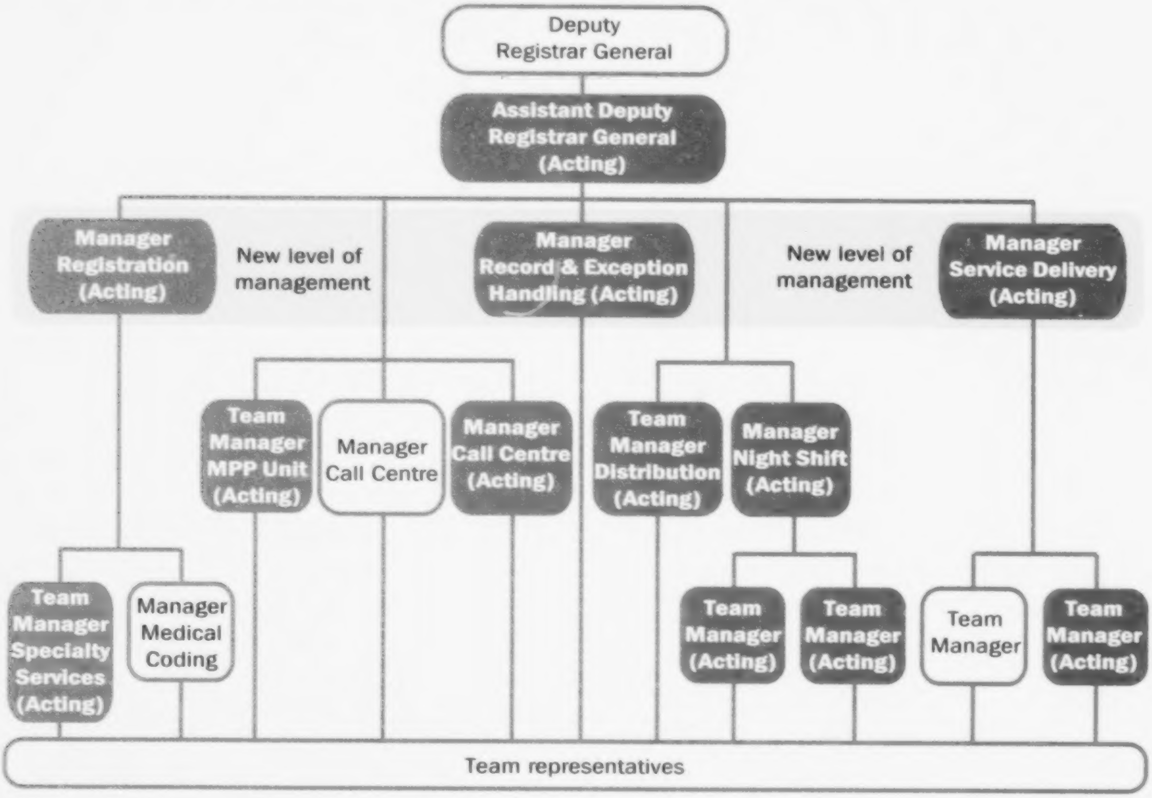
The work at the Office is performed in an assembly-line type of processing. Clerical staff involved in registration or in the production of certificates are known as team representatives, and the skill sets required to process both registrations and certificates are similar and relatively interchangeable. Team representatives' responsibilities include opening and batching mail; scanning in registration documents or certificate applications received; entering data for registration or certificate applications received; verifying the accuracy of registration data input or matching certificate application data with registration records to ensure that only persons eligible to receive certificates are issued them; and sending out printed registration confirmations or certificates.

The Office traditionally had a relatively stable workforce, with minimum turnover. For instance, many of the team managers, who were responsible for overseeing the work of team representatives, had been with the Office for more than 10 years. Each team manager was responsible for managing and providing guidance to a team of about 10 team representatives.

However, in October 2003, the Office created a new level of management above the existing team managers. Our review of the process of implementing this change identified a number of questionable practices. As an example of what we discovered, Figure 5 outlines the effect of the organizational

Figure 5: Production Staff, Thunder Bay, October 2003

Source of data: Office of the Registrar General


Deputy Registrar General
Assistant Deputy Registrar General (Acting)
Manager Registration (Acting)
New level of management
Manager Record & Exception Handling (Acting)
New level of management
Manager Service Delivery (Acting)
Team Manager MPP Unit (Acting)
Manager Call Centre
Manager Call Centre (Acting)
Team Manager Distribution (Acting)
Manager Night Shift (Acting)
Team Manager Specialty Services (Acting)
Manager Medical Coding
Team Manager (Acting)
Team Manager (Acting)
Team Manager
Team Manager (Acting)
Team representatives

Note: Shaded boxes with white type indicate individuals whose previous or home position was team representative.

restructuring of staff in Thunder Bay who were responsible for registration and the production of certificates.

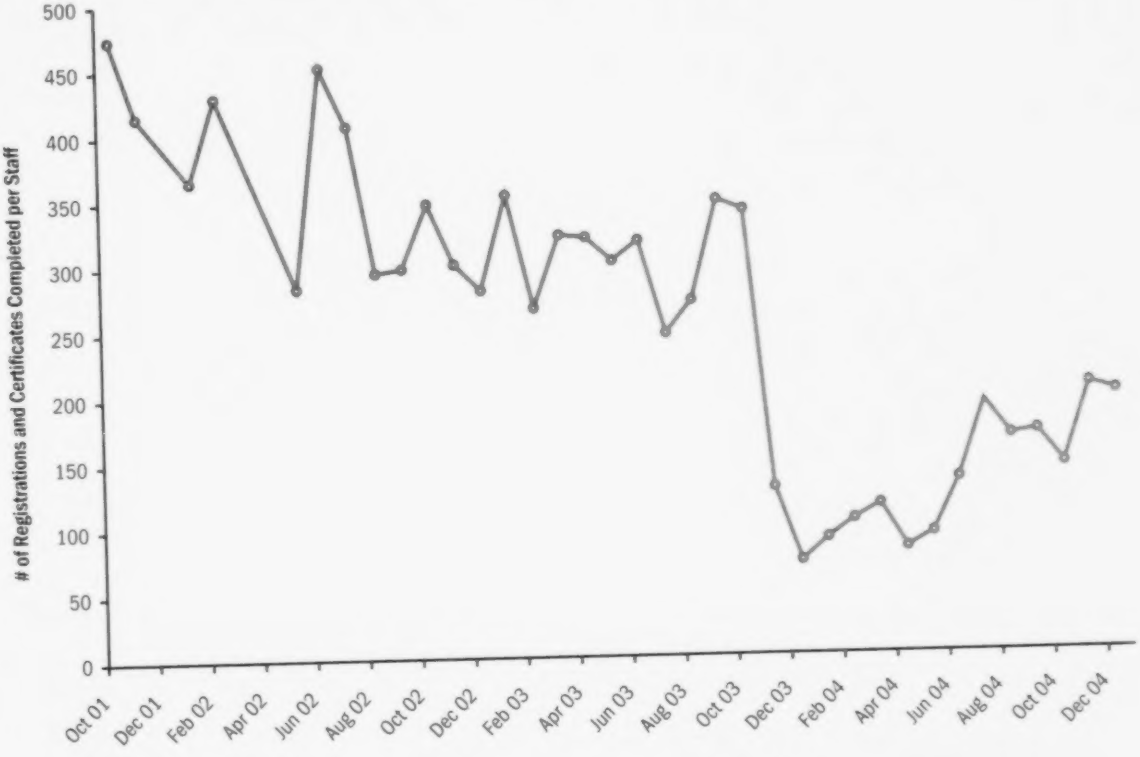
All the shaded management positions in Figure 5 were filled by staff who had previously been team representatives. The new managers were designated as acting. We noted that all the new managers were appointed without advertisement or internal competition. These clerical staff were promoted into the most senior management positions, where they were responsible for supervising the team managers.

We noted that in one case, a contract employee who had no management experience was appointed team manager to supervise permanent staff. The *Public Service Act* stipulates that contract staff are not permitted to supervise permanent employees unless prior approval is obtained from the Public Service Commision. While such approval had been delegated to the Deputy Minister, we found that the required approval was still not obtained until six months after the appointment.

Some new managers found themselves now supervising managers who used to be their superiors; yet none of the existing managers was given the opportunity to compete for the new positions. At the time of the appointment, there were about 10 team managers in existing permanent positions, but none of them was promoted to the new level and several were transferred to a non-production environment even though they had years of experience in producing certificates. We also noted that:

Figure 6: Production of Registrations and Certificates per Staff, October 2001–December 2004

Source of data: Office of the Registrar General



- There was no job specification for the new level of managers, although there was a generic description for team managers and other staff reporting to them.
- The appointment of the new level of managers in October 2003 did not comply with the Ontario government's direction in August 2003 that no new position should be created without the Deputy Minister's prior approval.
- The new managers were all unionized staff in an acting capacity. A number of them were themselves concerned about their effectiveness as managers. Because they were expected to manage fellow workers, these acting managers were concerned about what might happen should they not retain their acting position and rejoin those workers as peers in the future.
- Until 2003, on average there had been fewer than 10 employee grievances a year; by 2004, that number had grown to 35.

The perception of unfair employment practices and the absence of a fair and objective promotion process led to morale issues among staff, and this in turn adversely affected the operation of the Office. Figure 6 illustrates how the average number of registrations and certificates produced per staff declined significantly. It also shows that although there were some improvements beginning in February 2004, the average numbers produced per staff were still significantly lower than the numbers produced in the previous two years.

We noted that there was a sudden decline in staff productivity around October 2003, when the new computer system was implemented and the Office's management structure was reorganized.

Although about 250 more staff were hired in the ensuing months to deal with the delays in issuing certificates, this number was not sufficient to eliminate the delays.

At the completion of our fieldwork in March 2005, all of the new managers appointed in October 2003 were still in their positions in an acting capacity.

RECOMMENDATION

To improve staff productivity and morale, the Office of the Registrar General should comply with prudent human resources management practices that include:

- proper planning and approvals before proceeding with an organizational restructuring;
- the development of clear job specifications to ensure that staff are fully aware of their duties and responsibilities;
- a proper assessment of staff qualifications before appointing anyone to a position, including an assessment of the required education, experience, and skills of the position;
- the advertising of and competition for job openings to ensure fairness and accessibility unless extenuating circumstances warrant otherwise; and
- the proper approval for any departure from *Public Service Act* requirements or Management Board of Cabinet directives.

OFFICE RESPONSE

The Office supports this recommendation and agrees that a properly trained management team and workforce are essential, not only to maintain regular operational activities, but especially throughout a time of large-scale change.

The two new management positions offered in 2004 were designed to oversee the alignment of four teams and manage workflow. In response to a chronic lack of learning opportunities (and the requests of some staff), these positions were offered to internal candidates as temporary acting assignments. The initial plan was for these assignments to last through the transition phase of the technology replacement project (an estimated six months). Because of the processing-time delays in 2004, the length of these assignments exceeded the Office's expectation. It would have created more risk and inefficiency to bring in managers with no program knowledge during this period.

Based on an external consultant's review, new permanent management positions were approved for 2005, and recruitment through a competitive process (with advertising, open competition, etc.) is complete. Recruitment included following selection criteria for interviews and having a structured interview by panel and structured reference checks. Existing job specifications were used for the vast majority of staff (for example, team representatives and team managers). New job specifications have been developed to support recruitment for all new permanent positions in areas such as operational support.

The Office recently advertised and recruited for team manager positions as well as administrative assistant positions. The Office will continue to follow all human resources policies and practices with respect to recruitment. As a part of the new Ministry of Government Services, the Ministry that is responsible for corporate training, the Office is committed to identifying developmental and training opportunities and providing them to staff.

The Office agrees with the need for approval for departure from the *Public Service Act* or any Management Board of Cabinet directives.

SAFEGUARDING VITAL EVENTS INFORMATION

Both the Ministry's internal auditors and the Corporate Audit Cluster from the then–Management Board Secretariat had conducted reviews of security controls in place to protect and safeguard access to confidential personal information maintained in the Office's computer systems. We reviewed their work and agreed with their concerns, including the following more significant ones:

- There was no off-site storage of the tape backup for the computer system. The inability to recover data posed a high risk in the event of a disaster, such as a fire.
- There was no firewall protection to prevent unauthorized access to the document management system, workstations, network and image servers, and other system components in Thunder Bay.
- There was no formal policy that ensured proper segregation of duties and proper authority to grant access to the system.
- The account lockout settings were weak. For instance, the system configuration that limited the number of failed log-ins allowed was disabled, so that hackers could have as many attempts as they needed to guess a password.
- There was no system-generated tracking or monitoring of access to the system database. The system had an audit-trail mechanism but it was not enabled, resulting in the inability to track access. The Office indicated that system audit trails would cause significant performance degradation and would not normally be enabled unless specifically requested by management.
- Employees had the ability to print screen contents to printers within the office. A person with malicious intent who worked as an employee could easily print confidential information for later use in building false identities.

Our audit identified the following additional concerns:

- Although approximately 300 contract staff were hired to help address the problem of service delays, there was no background check for these staff, who were given access to confidential client information.
- Public-key infrastructure (PKI) is a common method for authenticating a message sender/receiver or encrypting a message. The Office indicated that PKI authentication had been put in place for the processing of certificates. However, it did not protect vital events registration data from unauthorized access.
- The Office had introduced an on-line certificate application form that applicants could complete and print to mail in. At the time of our fieldwork, applicants were able to view personal information of other applicants that had been entered on-line. The Office was not aware of the problem until the public complained to the Minister. The Office informed us that the problem has since been corrected.

RECOMMENDATION

To ensure that confidential data are adequately protected against unauthorized access and tampering, the Office of the Registrar General should implement appropriate access and security controls, including promptly addressing the security concerns already identified.

OFFICE RESPONSE

Ontario has one of the most secure vital statistics organizations in North America. Vital Statistics Council for Canada security protocols have been developed based on Ontario's security measures and experiences.

The Office has implemented several phases of enhanced security measures addressing security concerns and emerging threats. It continues to monitor the effectiveness of those measures, as well as emerging risks and issues, making changes accordingly.

In 2003, the Office established the position of Chief Security Officer and Investigator, whose responsibilities include monitoring and improving security in the Office.

With respect to specific concerns highlighted in the Auditor General's report, the Ministry is moving or has moved to implement solutions. For example, the Ministry has already implemented off-site tape backup storage, and the Office's IT provider will have implemented enhanced firewall protection by the end of November 2005.

The Ministry takes security very seriously and will continue to develop appropriate security measures to ensure the integrity of Ontario's vital event data and documents.

INTEGRATING REGISTRATION AND CERTIFICATE ISSUANCE

Registration and certificate issuance involve similar work using the same data. In registration, the information received by the Office is scanned and data are entered into the computer. Registration information is then printed and sent out to related parties for confirmation of accuracy and for subsequent correction of any registration errors. In certificate issuance, certificate applications are scanned and data are entered, and data are then matched to the original registration records. Once the data are matched, a printed certificate is sent out to the applicant.

Since the two stages use the same data following almost identical procedures, we believe that integrating the two has the potential to enhance productivity and service to the public. For instance, a certificate could be issued to an individual once their registration data was complete and entered instead of requiring that the individual first confirm the accuracy of the information processed. Corrections could still be made in the small number of instances where information is found to be inaccurate. Combining registration with certificate issuance could save the time now needed for subsequent matching and shorten the turnaround time in providing services to the public.

RECOMMENDATION

To meet its mandate of registering vital events and providing certificates more efficiently, the Office of the Registrar General should formally assess the option of integrating the registration and certificate issuance processes into one combined process.

OFFICE RESPONSE

The Office agrees with this recommendation and has been given approval for a new integrated birth registration and birth certificate application process. This will simplify the registration process by allowing parents to register the birth and apply for a birth certificate, on-line, at the same time. The first phase of integrated birth registration (pilots) will be implemented in early 2006 with the introduction of the Integrated Birth Registration "Smart Form."

Chapter 3 Ministry of Community Safety and Correctional Services

Section 3.12 Ontario Provincial Police

Background

Under the *Police Services Act*, the Ontario Provincial Police (OPP) primarily provides:

- patrols on all provincial highways, waterways, and trail systems;
- front-line police services in smaller rural communities that do not have their own municipal police service;
- emergency support services to all communities in Ontario;
- support for complex criminal and organized crime investigations, as well as intelligence with respect to anti-terrorism activities; and
- laboratory services in support for criminal investigations.

With approximately 5,500 uniformed officers, 1,800 civilian employees, and 800 auxiliary officers, the OPP is one of North America's largest deployed police services. The service maintains 79 local detachment offices and 87 satellite offices (which report to one of the detachments) throughout the province. Each detachment reports to one of six regional headquarters, which in turn report to OPP General Headquarters in Orillia. The Commissioner of the OPP reports to and is accountable to the Minister of Community Safety and Correctional Services.

The OPP provides municipal policing services to over 300 municipalities and First Nations communities throughout the province. Of these, 130 municipalities have entered into five-year fee-for-service contracts with the OPP, while 182 other municipalities (commonly referred to as non-contract municipalities) have no contractual arrangements, but are billed based on the level of policing services provided.

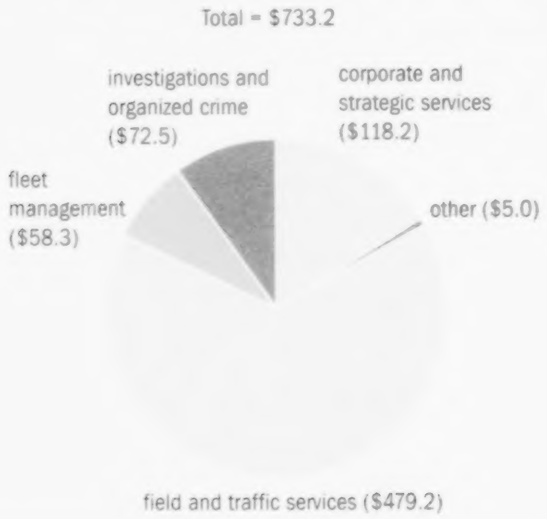
In addition to the responsibilities specifically set out by the legislation, the OPP has other duties assigned by the Minister of Community Safety and Correctional Services, such as maintaining specialized provincial registries—including ViCLAS (Violent Crime Linkage Analysis System) and the Ontario Sex Offender Registry—and providing security at Queen's Park, as well as protective services for key Ontario government officials and visiting dignitaries. In addition, the OPP is engaged in a number of multi-jurisdictional policing initiatives aimed at co-ordinating law enforcement efforts to reduce criminal activities.

For the 2004/05 fiscal year, OPP expenditures before municipal recoveries (costs paid by municipalities for policing services) totalled $733.2 million, as detailed in Figure 1.

Since the time of our last audit in 1998, OPP expenditures net of recoveries for the provision of municipal policing services (billed by the OPP but collected and recorded by the Ministry of

Figure 1: OPP Expenditures Before Recoveries from Municipalities for Policing Services, 2004/05 ($ million)

Source of data: Ontario Provincial Police



Finance and the Ontario Shared Services within the Ministry of Government Services) have increased, as detailed in Figure 2. We note that the 23% increase in total OPP expenditures between 1999/2000 and 2002/03 is similar to the increase in total expenditures for all policing in Canada, based on the most recent information available from Statistics Canada.

We also note that the per-capita cost of municipal and provincial policing in Canada for 2003 was $205. Ontario, Quebec, and Manitoba have the highest municipal and provincial policing costs per capita, while the four Maritime provinces have the lowest, as Figure 3 illustrates.

SIGNIFICANT DEVELOPMENTS SINCE THE TIME OF OUR LAST AUDIT

Since our last audit in 1998, a number of significant developments or initiatives have impacted on the OPP's delivery of police services. These include:

- the passage of Regulation 3/99 under the *Police Services Act*, which establishes minimum service standards for all police services in Ontario, including standards in such areas as crime prevention, law enforcement, and the maintenance of public order;
- the establishment within the OPP of a corporate Quality Assurance Unit that conducts reviews of OPP operations to assess compliance with legislative requirements and with applicable policies and procedures;
- the OPP's implementation of a new computerized Daily Activity Reporting (DAR) system that tracks how officers' time is spent, as well as a Records Management System (RMS) that records and permits the analysis of case-related information; and
- a significant expansion of the number of municipalities that have contracted with the OPP for policing services, as well as the introduction of billing for services provided to non-contract municipalities (which, prior to 1998, received the services for free).

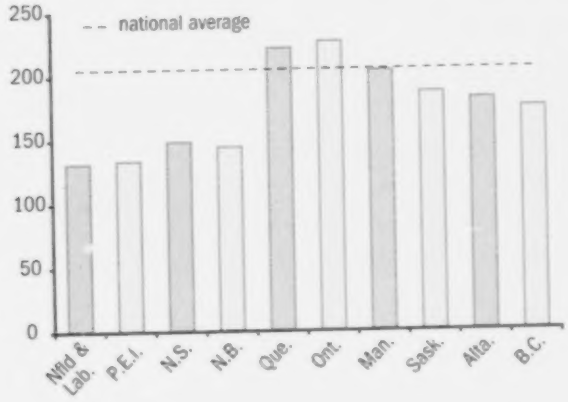
Figure 2: OPP Expenditures and Recoveries from Municipalities for Policing Services ($ million), 1998/99–2004/05

Source of data: Public Accounts of the Province of Ontario

	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
total expenditures	535.6	565.5	616.7	648.3	695.4	717.1	733.2
recoveries from municipalities for policing services	208.2	184.3	183.8	181.0	187.8	209.4	249.4
net expenditures	327.4	381.2	432.9	467.3	507.6	507.7	483.8

Figure 3: Per-capita Spending on Municipal and Provincial Policing, by Province, 2003

Source of data: *Police Resources in Canada* (Canadian Centre for Justice Statistics, Statistics Canada, 2004)



Audit Objective and Scope

Our audit objective was to assess whether the OPP's police services were:

- delivered with due regard for economy and efficiency; and
- of a quality that complied with Regulation 3/99 and related Police Orders (OPP policies and procedures).

The scope of our audit included a review of available documentation, including policies and procedures, at the OPP's General Headquarters, as well as interviews with senior officers and civilian staff. To get a better understanding of police operations, we also reviewed documentation and held discussions with officers at two regional headquarters, five detachments (including both the detachment's main office and any satellite offices), and two regional communications centres. To obtain further information, we sent a questionnaire to 25 detachments that we did not visit; all detachments that received our questionnaire responded to it.

At the time of our audit, the federal Auditor General's office was conducting an audit of the RCMP. We therefore met with staff at the federal Auditor General's office in Ottawa and with senior RCMP officers to discuss common issues identified during our audit.

Prior to the commencement of the audit, we identified audit criteria to address our audit objective. These criteria were reviewed and agreed to by senior OPP management.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Because the Ministry of Community Safety and Correctional Services' Internal Audit Services had not conducted any substantial work at the OPP in the last four years, we were unable to rely on them to reduce the scope of our audit work. However, our review of reports and related supporting documentation prepared by the OPP's Quality Assurance Unit found that this work could be relied on, and in many cases it corroborated our own observations resulting from detachment visits.

Summary

While several issues from our last audit—such as the use of overtime and billings to municipalities—have been largely addressed, in other areas—such as staff deployment, shift scheduling, and the implementation of community-oriented policing principles—much work remains to be done. With respect to the economy and efficiency with which the OPP was delivering police services, we found the following:

- The staff deployment model in effect at the time of our audit was not being used. As a result, the actual total workload of individual detachments was not taken into account in assigning officers to each detachment.

- The 12-hour work shift that was adopted by the majority of OPP detachments does not provide an optimal match between the number of officers on duty and the demand for police services. In that regard, we note that research undertaken in other jurisdictions on police shift scheduling indicates that the 12-hour shift can have significant health implications and that a variable shift arrangement offers the best matching of available officers to demand for service.
- The Differential Response Unit function was not fully implemented in all regions, despite the fact that this function has proven very effective in freeing up officer time to respond to more serious calls for service. In fact, statistics from one region where the Differential Response Unit had been effectively implemented indicate that each Differential Response Unit officer handled approximately 950 calls per year, which compares very favourably to the approximately 200 calls per year handled by non–Differential Response Unit officers.
- Information provided in the Daily Activity Reporting system was not always complete and accurate. This information is critical for decision-making and for proper monitoring and assessment of operations by the OPP.

We also note that two of the operational issues identified at the time of our 1998 audit have been acted upon, as follows:

- Increases in overtime expenditures for the past seven years have been moderate; in fact, overtime has decreased over the past two years.
- Billings and collections for municipal policing services are up to date.

Regulation 3/99 of the *Police Services Act* (which became effective January 1, 2001) established minimum service standards for quality police services in Ontario. Related Police Orders provide further policies and procedures to help ensure consistent, high-quality service. We found the following with respect to the consistency and quality of specific areas of service:

- There was little evidence that the objectives of community-oriented policing were being met at some detachments, and no minimum requirements had been established to guide detachments in the consistent implementation of community-oriented policing and solicitation of community input. Also, there were no internal measures in place to evaluate the effectiveness of community-oriented policing.
- There were no provincial standards for what an adequate level of traffic patrol should be; as a result, traffic patrol often had not been given high priority, and there was a significant variance in the level of traffic patrol provided by various detachments and regions.
- Although the Basic Constable Training course included both in-car and classroom-based driver training, no regular periodic or remedial training was being provided, despite the high collision rate of OPP vehicles and a number of preventable collisions that individual officers had in a relatively short period of time.
- The requirements for ensuring restricted physical access to seized property, seized drugs, and armaments stored at detachments, as well as the recordkeeping and disposal requirements for the same, were often not adhered to.
- The OPP's three quality-assurance processes, involving inspections and self-assessments, were not implemented fully and on schedule. The objectives of the quality-assurance function might be better met through another process that is less administratively cumbersome and more comprehensive, with appropriate follow-up procedures for ensuring that corrective action is taken.

Detailed Audit Observations

DUE REGARD FOR ECONOMY AND EFFICIENCY

Staff Deployment

The OPP has approximately 5,500 uniformed officers. Since our 1998 audit, the number of uniformed officers has increased at a slower rate than the demand for police services (as measured by the number of calls for service), as detailed in Figures 4 and 5.

Not only has the number of calls for service increased, but the amount of time spent on corresponding administrative functions such as travel and court duty has also increased accordingly.

Although the 12.5% increase in the total number of OPP police officers between 1998 and 2004 is somewhat higher than the 9.4% increase in police officers for all of Canada for the same period as reported by Statistics Canada, this difference can be attributed to the increase in the number of municipalities policed by the OPP since 1998.

Staff Deployment Model

Individual detachments can have up to three distinct policing responsibilities: municipal policing for contracted municipalities, municipal policing for non-contract municipalities, and provincial responsibilities such as highway patrol and provincial park security.

Figure 4: Uniformed OPP Officers

Source of data: Ontario Provincial Police

	1998	2004	% Change
commissioned officers	133	169	27.1
staff sergeants	231	198	(14.3)
sergeants	839	964	14.9
constables	3,685	4,169	13.1
Total	**4,888**	**5,500**	**12.5**

Figure 5: Calls for Service Received by the OPP

Source of data: Ontario Provincial Police

	1998	2004	% Change
Criminal Code	125,698	139,368	10.9
traffic	209,515	283,333	35.2
other	220,340	304,778	38.3
Total	**555,553**	**727,479**	**30.9**

The OPP currently has a staff deployment model that was developed in the 1980s. The model is to determine the required staffing levels for detachments based on the number of calls for service, which is considered to be the detachment's workload, with adjustments to allow for such activities as court attendance, training, patrol, and administration. We were advised that the OPP and RCMP are jointly working on a new model that, when completed, will replace the existing model.

However, in practice the current model is used only to estimate the number of officers required by a detachment for its municipal contract obligations at the time of either inception or renewal of a municipal policing contract. It should be noted that the cost of any additional officer(s) is billed to the municipality.

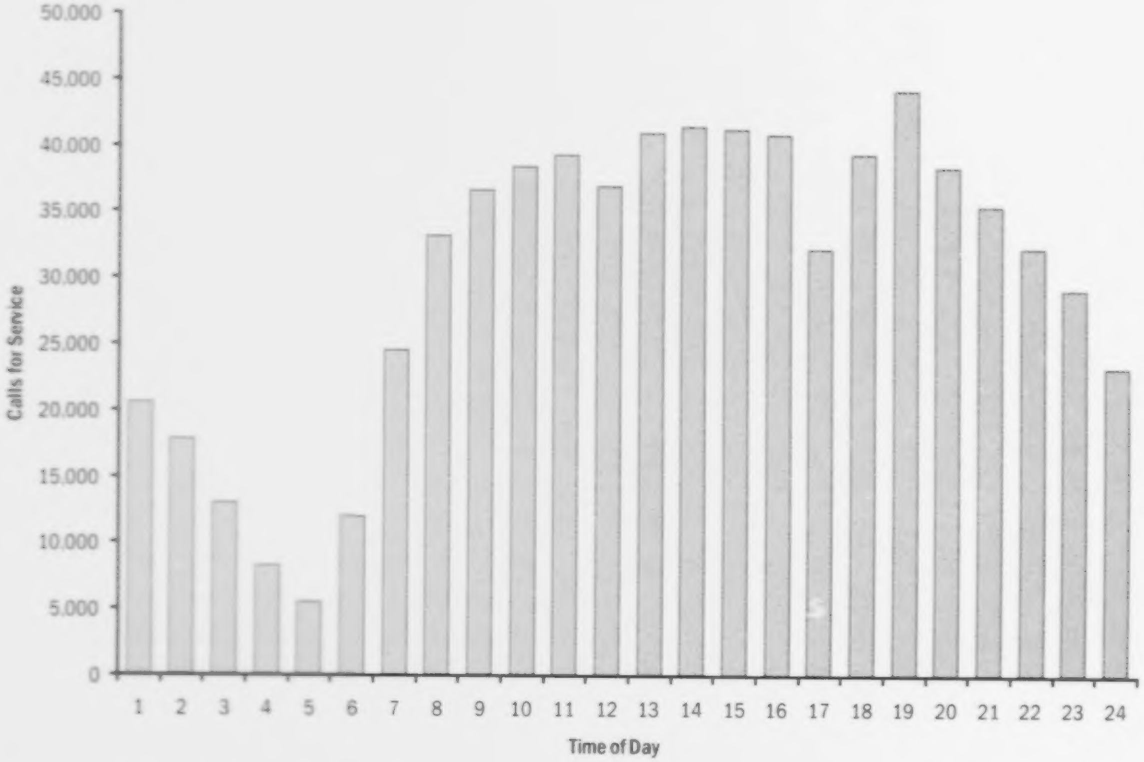
The staff deployment model has not been used to determine staffing requirements either for municipal policing for non-contract municipalities or for provincial responsibilities such as highway patrol. When compared to the staffing estimates arrived at where the deployment model is used, most detachments are understaffed given their overall policing responsibilities. In addition, 19 of the 25 detachments that responded to our questionnaire indicated they felt they were short-staffed, with the shortages ranging from one to 17 officers and averaging approximately six officers.

Detachments that do not have a municipal contract component are particularly adversely affected by this practice. For example:

- One detachment with only non-contract municipal policing and provincial policing

Figure 6: Number of Calls for Service by Hour of Day, 2004

Source of data: Ontario Provincial Police



responsibilities had a staff of 64 officers, while the detachment advised us that the staff deployment model indicated that 76 were required.

- Another detachment, which had only highway patrol responsibilities, had a staff of 45 officers, even though, according to the detachment commander, the model indicated that 60 were required. The detachment commander also stated that the detachment had not had a staffing increase in more than 10 years, despite significant increases in all workload indicators. In fact, he noted that the detachment's staff complement had decreased during this time.

Shift Scheduling

Clearly a key factor in optimizing detachment staff deployment is ensuring that staff scheduling is commensurate with peak workload periods. In practice, we found that over 80% of all detachments scheduled their officers in 12-hour shifts, generally splitting the staff evenly between the day and night shifts. We understand that many officers prefer a 12-hour shift for personal reasons, such as maximizing the number of days off and minimizing work-related transportation time and costs. However, as shown in Figure 6, the number of calls for service varies significantly depending on the time of day. If staff levels remain the same for all time periods—as is typical when 12-hour shifts are used—it becomes virtually impossible to have more officers on duty when demand for police services is higher.

We noted that research undertaken in other jurisdictions such as England (specifically, research by the Home Office—a U.K. government department responsible for overseeing the police service in England and Wales) indicates the following:

- A variable shift arrangement offers the best matching of available staff resources to demand for service.
- A well-designed variable shift arrangement can provide up to 70% more staff on duty at peak times than a shift pattern with flat supply.
- Significant concerns exist regarding the health and safety implications of 12-hour shifts, particularly in armed-response and traffic services.

In the *1992 Report of the Auditor General of Canada*, the RCMP was questioned for its use of the 12-hour shift, and, since that time, the RCMP has moved to a variety of different shifts, with the 10-hour shift being the most common.

RECOMMENDATION

To help ensure that available uniformed officers are allocated to detachments based on assessed need and efficiently deployed, the Ontario Provincial Police (OPP) should:

- expedite completion of the joint OPP–RCMP staffing model and ensure that:
  - it takes into consideration non-contract municipal policing and provincial policing responsibilities in estimating the number of officers that need to be assigned to each detachment; and
  - it is used by the OPP for allocating officers to detachments; and
- reassess the merits of the 12-hour shift schedule and consider alternatives that would provide a better match between the number of officers on duty and the demand for police services.

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) will review the staffing allocation for non-contract municipalities and provincial responsibilities based on the current deployment model. The OPP acknowledges the need to provide staffing to detachments per the deployment model in order that the detachments may respond to the number of calls for service; however, additional resources and funding are required to meet the detachment workload demands.

The OPP will continue its involvement with the OPP–RCMP National Resourcing Methodology Task Force as a potential alternative to the existing deployment model to meet evolving organizational needs.

In April 2005, a regional scheduling review committee was formed with a mandate to review the current shift schedules in an effort to see if there are alternative schedules that would better suit the needs of the community and the organization. This committee is working in conjunction with the Ontario Provincial Police Association (OPPA). The fieldwork is scheduled to be completed and a draft report issued in fall 2005 for further assessment and potential provincial implementation.

In addition, during the upcoming collective bargaining process to begin after the current OPPA Uniform Memorandum of Understanding expires on December 31, 2005, the OPP will explore opportunities for increased scheduling flexibility.

Differential Response Unit

In regions where the Differential Response Unit (DRU) function is implemented, when a call for service is received at the regional communications centre, the operator makes a determination as to whether the call requires an officer to be dispatched or whether the call can be handled by telephone. If the determination is made that an officer does not need to be dispatched, the call is forwarded to a DRU officer, who may be either in the regional communications centre or at one of the detachments in that region.

The DRU officer normally deals with all aspects of the call over the telephone. However, as a matter of OPP policy, if a caller demands or a municipality requests that a police officer respond, an officer is dispatched regardless of the nature of the call.

There are currently no requirements for regions either to implement the DRU function or to report on its implementation or the results achieved thereby.

Our review of statistics for 2004 for one of the regions where the DRU function was fully implemented indicated that six officers effectively handled 5,700 DRU calls. This equates to 950 calls per officer, which compares very favourably to the average of approximately 200 calls per year handled by non-DRU officers. The DRU function was able to free up a significant amount of officers' time either for responding to and dealing with higher-priority cases or for other activities, such as traffic patrol or community-oriented policing services.

While the benefits of implementing a DRU function seem apparent, we found that in three of the six regions the DRU was not effectively implemented:

- Two regions had not implemented the DRU function at all.
- One region implemented the DRU function only when officers were temporarily assigned to light duties, and therefore were available to take DRU calls.

These observations are similar to those noted in our *1998 Annual Report*.

RECOMMENDATION

Given the significant benefits of freeing up officer time to handle more serious matters through implementing the Differential Response Unit (DRU) function, the Ontario Provincial Police should:

- **encourage all regions across the province to fully implement the DRU function; and**
- **require the regions to provide the information necessary to assess the results achieved and promulgate best practices across the province.**

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) recognizes that Differential Response Units (DRUs) are an effective method of service delivery. Regional commanders have been directed to review the viability of implementing DRUs within their respective regions, given the calls for service, the current staffing complement, and geographic implications. The results of these reviews will be assessed at a corporate level within the OPP and direction provided regarding the implementation of the DRUs, as appropriate, across the province.

Information Systems

Since our 1998 audit, the OPP has introduced two new computerized information systems to assist in managing its daily operations.

- The Daily Activity Reporting (DAR) system, which was introduced in 2000, is primarily a time accounting system that tracks the time spent by each officer on common activities such as traffic patrol, Criminal Code investigations, and administration. It also tracks the number of calls for service to which the officer responds. The information is used for such things as statistical analysis of OPP operations, determining billing for municipal policing services, and staffing allocations.
- The Records Management System (RMS), which was also introduced in 2000, records and permits the analysis of case-related information, such as witness statements and officers' notes.

While both these systems represent major advancements over the previous systems and allow detailed analysis of the information they contain, the usefulness of the DAR system was limited because there were no procedures in place to ensure that the information it contained was complete and accurate. Specifically, we noted that:

- Officers enter their own information into the DAR system, and there is no supervisory review or approval of the information entered to ensure that it is complete and accurate. For example, our review of a sample of overtime claim forms used for payroll purposes found that for 60% of the cases where overtime hours were claimed, the hours were not correctly reported in the DAR system.
- Officers may enter information into the DAR system either from the mobile workstations in police vehicles or from computers in the detachment office. A number of officers expressed concerns about the unavailability of computers for data entry or about the fact that the often-slow connection speeds made entering information excessively time-consuming.
- Some officers also noted that because some of the information to be entered was already in the RMS, they placed a lower priority on re-entering information into the DAR system.
- Over 30% of all hours recorded in the DAR system are for administrative activities. The OPP has not assessed whether it is reasonable for such a relatively high proportion of time to be spent on administration.

With respect to the RMS, we noted that the system default requires information entered by officers to be reviewed and approved for completeness and accuracy by a superior officer before it is accepted in the system. However, an officer can bypass the requirement for supervisory approval.

RECOMMENDATION

To help ensure that the information in the Daily Activity Reporting system can be relied on for decision-making purposes, the Ontario Provincial Police should:

- develop procedures whereby the completeness and accuracy of the information entered by individual officers is reviewed and approved by a senior officer;
- assess alternatives for inputting information into the system in order to minimize the time required; and
- periodically review the hours entered for specific functions to assess whether the proportion of hours being charged to each activity is reasonable.

To ensure that all information entered into the Records Management System is reviewed and approved, the System's override option—whereby officers can bypass the required supervisory function—should be reconsidered.

MINISTRY RESPONSE

All staff and supervisors will be reminded of their obligation to enter information accurately and to obtain appropriate sign-off. The Ontario Provincial Police (OPP) will reiterate the procedures/obligations relating to the entry of complete and accurate information and supervisory review responsibilities through its training of officers and supervisors. Supervisors will be reminded of the availability of reports to be reviewed to determine the reasonableness of the hours allocated to activities in the system.

The Data Integrity Team, with its cross-organizational representation, will continue to identify efficiencies and best practices relating to data entry/integrity and bring these forward in order to make enhancements to the system and develop training and job aids such as user-friendly instructions to be posted beside each computer at the detachment.

The OPP identified the system's override option as an issue, and an enhancement request was submitted to the Justice Technology Services Division of the Ministry. The enhancement request sent to the vendor of the Records Management System for implementation in a future release has been noted as a high priority.

Overtime

In our *1998 Annual Report*, we noted that over the then previous four years, overtime expenditures had increased by 140%, from $12 million in the 1993/94 fiscal year to about $29 million in the 1996/97 fiscal year.

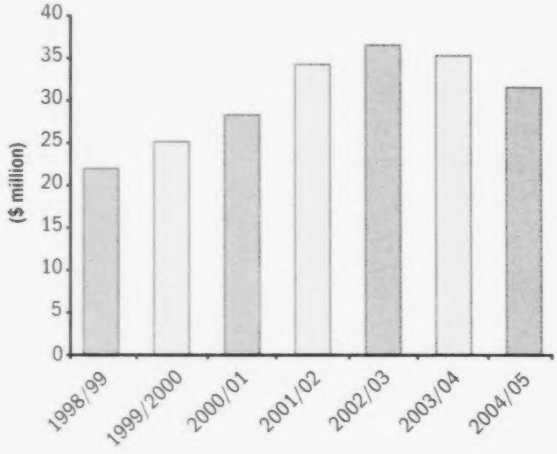
As Figure 7 indicates, the increase in overtime expenditures for the past seven years has been much more moderate. Overtime expenditure reduction has been a focus of the OPP over the last two years, with a target of reducing overtime by 25% in 2003/04 and 2004/05. As indicated in Figure 7, overtime expenditures have indeed decreased over the past two years, but only by 3% and 10%, respectively.

While these percentages are significantly lower than the targets, overtime expenditures since 1999/2000 have increased by less than the increases in total salary and wage expenditures, excluding overtime, and in the number of calls for service. In addition, and as shown in Figure 8, salary costs (including overtime) per call for service increased modestly, from $678 in 1999/2000 to $687 in 2004/05, which is less than the general salary increases over that time.

However, our review of the overtime claims process at the detachments we visited indicated that policies and procedures with respect to overtime were often not followed. Specifically:

Figure 7: OPP Overtime Expenditures, 1998/99–2004/05

Source of data: Ontario Provincial Police



- In many instances there was no evidence that the overtime paid was approved by a superior officer, as required.
- We noted cases where, contrary to the directions provided to detachments, overtime was worked and paid for administrative purposes such as training, meetings, travel, and report-writing.

RECOMMENDATION

To help ensure that overtime is reasonable and incurred only when operationally necessary, the Ontario Provincial Police should ensure that a superior officer approves all overtime claims.

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) is committed to ensuring that proper controls are in place to manage overtime expenditures. All OPP staff and supervisors will be reminded of their obligation to obtain appropriate sign-off on all overtime claims.

Figure 8: OPP Salary Costs and Calls for Service, 1999/2000-2004/05

Source of data: Ontario Provincial Police

	1999/ 2000	2000/01	2001/02	2002/03	2003/04	2004/05	% Change Between 1999/2000 and 2004/05
total salary and wages (including overtime) ($ million)	367.4	392.3	423.1	452.6	497.3	500.1	36.1
total calls for service[1]	541,827	536,649	580,025	636,187	674,697	727,479	34.3
salary cost ($) (including overtime) per call for service	678.1	731.0	729.4	711.5	737.0	687.4	1.4

[1] Information in this row is for the first calendar year in the column head (i.e., information in the 1999/2000 column is for the 1999 calendar year).

Revenue from Municipal Policing Services

For the 2004/05 fiscal year, the OPP billed about $167 million to 130 municipalities for contracted policing services and about $82 million to 182 municipalities for non-contracted policing services.

In our *1998 Annual Report*, we noted that the 40 municipalities that were then under contract were to be billed about $40 million per year. However, five of these municipalities had not been billed for the previous three years, with the unbilled amount totalling about $23 million. In addition, receivables at December 1997 totalled $12.6 million, over half of which had been outstanding since 1993.

Our review of the OPP's current billing practices and collections found that 92% of contract and non-contract municipalities were billed on a monthly basis and that all billings were up to date. The remaining 8% of municipalities are billed quarterly; these billings are also up to date.

At the time of our audit, only $2 million of the amounts billed were outstanding longer than 60 days, and this situation was due to an unresolved billing issue.

We acknowledge the improvements made in this area and the actions taken to implement our previous recommendations in this regard.

Actual Criminal Occurrences and Clearance Rates

Although the number of calls for service increased significantly between 1999 and 2004, statistics maintained by the OPP's information system, as shown in Figure 9, indicate that the total number of criminal offences, including violent crimes, decreased over that same period. The clearance rate for all offences remained relatively stable.

The clearance rates for all types of criminal offences compare favourably to similar rates for the Quebec Provincial Police, and the overall clearance rate is somewhat higher than similar rates for most large municipal police forces in Ontario.

QUALITY OF SERVICE

Community-oriented Policing

For approximately 15 years, the *Police Services Act* has required the Minister of Community Safety and Correctional Services (prior to November 2003, the Solicitor General) to develop and promote programs for community-oriented police services.

In addition, to encourage better quality and consistency in policing services provided across the province, Regulation 3/99 (which became effective January 1, 2001) established minimum service standards for quality police services in Ontario. A key requirement of the regulation is that every chief

Figure 9: Number and Clearance Rate of Criminal Offences by Type, 1999–2004

Source of data: Ontario Provincial Police

	Violent Crimes	Property Crimes	Drugs	Other	Total All Offences
1999					
offences	16,200	61,575	7,780	57,482	**143,037**
CR[1]	84%	30%	79%	52%	**48%**
2000					
offences	17,164	59,876	8,248	60,503	**145,791**
CR[1]	86%	30%	83%	73%	**50%**
2001					
offences	15,273	48,702	6,482	49,068	**119,525**
CR[1]	84%	26%	78%	47%	**45%**
2002					
offences	14,578	46,185	6,605	44,946	**112,314**
CR[1]	92%	29%	85%	59%	**53%**
2003					
offences	13,241	47,160	5,095	44,502	**109,998**
CR[1]	92%	23%	74%	43%	**42%**
2004					
offences	14,578	47,288	6,127	44,757	**112,750**
CR[1]	90%	22%	74%	45%	**44%**

1. CR = Clearance Rate

of police shall establish specific procedures and processes for problem-oriented policing and crime prevention initiatives (commonly referred to as community-oriented policing).

To comply with the community-oriented policing requirements, OPP Police Orders indicate a commitment to community-oriented policing principles in every aspect of service delivery in the OPP and indicate that the service will operate in partnership with the community by:

- involving the people of the community in the identification of crime, traffic, and social order problems and solutions;
- providing policing services that are consistent with the identified concerns, expectations, and needs of the community; and
- participating with other concerned agencies and community groups to effectively address police and community concerns.

In practice, a key aspect of implementing community-oriented policing principles typically involves regular meetings and communications between members of the local detachment, volunteer Community Policing Committees made up of community representatives and other interested parties, and Police Service Boards and Municipal Councils, where applicable. Effective implementation of community-oriented policing would also proactively deal with community concerns and reduce the amount of reactive law enforcement work required to keep communities safe.

Senior OPP management advised us that objectives relating to community-oriented policing were established through the detachments' annual business-planning process, whereby detachments prepare a business plan that includes various commitments and priorities. However, our review of a number of business plans indicated little evidence of this. For instance:

- Stated commitments and priorities often reflected higher-level provincial and regional priorities, with little specific evidence of community-oriented initiatives, and were similar from year to year.
- Due to a lack of supporting documentation, it was often not clear which, if any, of the commitments and priorities had been identified by the local community.

In addition, despite the OPP's stated commitment to community-oriented policing, there are no minimum requirements established to guide detachments in consistently implementing community-oriented policing principles. Although these principles have been effectively implemented at some detachments, they were not fully implemented at others, often for the following reasons:

- lack of priority when compared to other service pressures facing the detachment;

- confusion as to what is required to meet the objectives;
- an apparent lack of interest on the part of the community in participating in community-oriented policing; and
- insufficient resources to adequately address the community's stated concerns.

In response to a recommendation in our *1998 Annual Report*, the OPP indicated that it would co-ordinate, support, and monitor implementation of community-oriented policing. However, at the time of our current audit, the unit responsible for this had been disbanded, and we noted no evidence of other types of overall co-ordination or monitoring of the ongoing implementation of community-oriented policing principles. In our view, this gap contributed to the confusion regarding the requirements of community-oriented policing and to a significant variance in implementation.

Further, because there are no internal measures or reporting requirements for evaluating the effectiveness of the principles—at either the detachment or regional level—the extent to which they are being implemented and the extent of community involvement are unclear.

RECOMMENDATION

To ensure that all detachments are proactively dealing with community concerns and are complying with community-oriented policing principles, the Ontario Provincial Police should:

- establish minimum requirements to guide detachments in the consistent implementation of community-oriented policing services;
- co-ordinate and monitor the ongoing implementation of community-oriented policing principles and the achievement of related objectives across the province; and
- periodically evaluate the effectiveness of community-oriented policing program service delivery and, if necessary, take corrective action.

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) recognizes that there is a need to refresh the organizational co-ordination and support of community-oriented policing in order to maximize its impact and efficiencies across the province. The delivery of community-oriented policing must remain flexible to reflect specific community needs. The OPP is committed to having regular meetings between local detachments and community representatives and taking specific actions to ensure that the principles of community-oriented policing are consistently reinforced and supported through recognized programs, measures, and evaluation of results.

Traffic Patrol

The OPP is responsible for patrolling all provincial highways, as well as all roads within the municipalities where they provide policing services. The key objective of the highway patrol activity is to increase police visibility and enforcement action with a view to reducing collisions and resultant deaths, personal injuries, and property damage.

There are currently no provincial standards for what an adequate level of traffic patrol would be. As a result, traffic patrol is often not perceived as a priority, particularly in the light of many competing requirements (such as calls for service). The absence of provincial standards contributed to a significant variance in the level of traffic patrol provided by various detachments and regions, as the following examples illustrate:

- One region that assigned a high priority to traffic patrol developed its own standards for its detachments, specifying the number of hours to be spent on provincial highway patrol by officers assigned to its detachments. In addition, the region had four roaming teams that patrolled highways within the region.

- Detachments and regions that assigned a lower priority to traffic patrol had not developed any standards for traffic patrol and often indicated that traffic patrol was provided only if and when time permitted. In addition, in some detachments no staff were dedicated solely to traffic patrol.

Traffic patrol hours in the detachments we visited ranged from a low of 8% to a high of 26% of the total hours worked by the detachment's officers.

Assigning additional resources to traffic patrol can have significant benefits. For example, one region that experienced a high rate of collisions in a specific area in 1999—including 29 fatalities in 19 incidents—received approval to create a 22-member traffic patrol unit. The creation of the unit, along with increased visibility and enforcement actions, resulted in the traffic fatality rate dropping by 90% (from 29 to 3) between 1999 and 2001, and by 70% from the longer-term average of about 10 per year.

Similarly, a detachment in another region was identified as having had 20% of the traffic fatalities in the region (out of 14 detachments) in 2004. The regional traffic unit was subsequently stationed in that area for three months to provide additional enforcement action and visibility. During that three-month period, the detachment had only one traffic fatality, compared to five during the same time period in the previous year.

Ontario's Ministry of Transportation estimated that in 2002, vehicle collisions in Ontario cost nearly $11 billion, or approximately $30 million every day. It also estimated that for every dollar spent on traffic management, 10 times that amount could be saved on collision-related expenditures, including health care and insurance claims.

RECOMMENDATION

To increase police visibility and enforcement action with a view to reducing collisions and resultant deaths, personal injuries, and property damage, the Ontario Provincial Police should:

- establish provincial standards with respect to adequate levels of traffic patrol and consider the advisability of increasing the numbers of dedicated highway patrol officers; and
- ensure that the patrol standards, once established, are met and that the results achieved are monitored and assessed.

MINISTRY RESPONSE

Increased police visibility and the reduction of motor vehicle collisions are key priorities within the Ontario Provincial Police (OPP).

In January 2005, the OPP created a Traffic Implementation Team to address recommendations from an extensive internal study conducted by the OPP. The Highway Safety Division was created in May 2005, and one of its key priorities is establishing provincial patrol standards and systems to monitor, assess, and report on results.

The OPP is committed to enhancing its focus on traffic safety within the resourcing available. The Highway Safety Division will be working closely with the regional commanders across the province to ensure optimum deployment of staff resources to focus on the reduction of collisions and resultant deaths, personal injuries, and property damage.

Motor Vehicle Collision Data—Number of Accidents by Type

The OPP is a participant in Road Safety Vision 2010 (Vision 2010), which is a national initiative from the Canadian Council of Motor Transport

Figure 10: Traffic Collisions in OPP Jurisdictions, 1999–2004

Source of data: Ontario Provincial Police

	1999	2000	2001	2002	2003	2004
fatal collisions	465	444	485	463	455	456
personal injury	14,945	14,678	14,407	15,065	14,635	14,242
reportable damage	51,654	55,341	55,705	59,385	62,614	58,985
Total	**67,064**	**70,463**	**70,597**	**74,913**	**77,704**	**73,683**
fatalities	541	520	567	537	511	516

Administrators aimed at reducing traffic fatalities on the roadways and making Canadian roads the safest in the world.

Over the period from 1987 to 2001, the number of licensed drivers in Canada has increased from 17 million to 21 million, and the number of registered vehicles has increased from 16 million to 18 million. Despite these increases, the number of fatalities and serious injuries have decreased over that time.

Vision 2010 has set a national target that calls for a 30% decrease in the annual average number of road users killed and seriously injured during the 2008–2010 period as compared to the 1996–2001 period. During 1996 to 2001, OPP jurisdictions experienced approximately 530 fatalities per year. To meet the Vision 2010 requirements, that number must be reduced by approximately 160, to 370.

As Figure 10 shows, OPP jurisdictions had a fairly stable rate of fatal accidents from 1999 through 2004. The number of actual deaths averaged 532 per year.

Strengthening the highway patrol function, as recommended in the previous section of this report, would help the OPP to meet the Vision 2010 goal.

Officer Training

Before an officer becomes an active member of the OPP, he or she is provided with the following training:

- a one-week orientation course at the Provincial Police Academy, which covers basic administrative requirements and what to expect at the Ontario Police College;
- an in-depth 12-week Basic Constable Training course at the Ontario Police College, which includes simulation exercises, classroom discussion, and case studies in a number of areas, including community-oriented policing, domestic violence, the use of firearms, physical fitness, police vehicle operations, provincial statutes, the use of force, and defensive tactics; and
- four weeks at the Provincial Police Academy for more in-depth training on traffic control, firearms, cruiser familiarity, and physical fitness.

Regular training for active members of the service consists primarily of four days of annual training at the Provincial Police Academy, which includes re-qualification courses in the use of force, firearms, and CPR, and academic upgrades necessitated by new legislative requirements for officers, such as the one-time in-car training provided in 2000 for driver pursuits.

Our review of the initial and ongoing training program identified two areas where additional or more timely training is required: driver training and firearms training.

Driver Training

Although the Basic Constable Training course includes both in-car and classroom-based driver training, no additional regular or remedial driver training is provided either as part of the required annual training or on an as-required basis.

In our view, this may have contributed to a high number of preventable collisions involving on-duty officers. For example, based on statistics prepared by the OPP as part of a Collision Review Project undertaken in 2004, we noted the following:

- For 2000 through 2004, the OPP's average number of collision/damage occurrences was approximately 1,600 annually, or about one such occurrence per year for every two vehicles on the road.
- Of the collisions that occurred in 2001 and 2002, 51% were classified by the OPP as preventable, and the majority occurred on regular patrols during daylight hours on dry asphalt roads in clear weather conditions.
- For that same two-year period, 37.1% of the collisions involved officers with between zero and five years of service (a group that constituted only 25.9% of all active officers).
- Some individual officers have been involved in multiple collisions—for example, within a six-month period in 2004, one officer was involved in eight instances of vehicle damage, two of which were deemed to have been preventable collisions, and in six other incidents where damage was found on the vehicle.

The OPP's Collision Review Project also resulted in the creation of a Fleet Safety Officer position as well as recommendations for enhancements with respect to collision data collection and analysis.

We also noted that, when an officer is involved in a collision, a member of a higher rank is required to investigate the collision when practical. However, in practice we found that in many cases an officer of a higher rank did not investigate the collision.

Firearms Training

By regulation under the *Police Services Act*, "[a] Member of a police force shall not carry a firearm unless, during the twelve previous months, the member has successfully completed a training course on the use of firearms."

We found that two of the six regions complied with this requirement. The other four regions, however, did not interpret the regulation correctly and instead conducted their firearms training on a calendar-year basis. As a result, an officer carrying a gun in these regions might not have had firearms training for almost 24 months. For example, in one region we found that for 349 of the approximately 1,250 officers who received firearms training in 2003 and 2004, the training was overdue, and therefore these officers were non-compliant with the regulation's firearms training requirement. Some officers did not receive their firearms training until 21 months after their last firearms training. In that regard, a number of officers indicated to us that firearms training even once every 12 months was not enough and that more frequent training would be beneficial.

In addition, we found that there was no centralized tracking system for firearms training received by front-line officers. Instead, each region is responsible for tracking, co-ordinating, and ensuring that each officer within that region receives the appropriate training. The lack of a centralized system is inefficient, creates inconsistent practices and reporting among the regions, and can lead to inaccuracies of records in cases where an officer is trained in a location other than his or her home region.

RECOMMENDATION

To minimize property damage and to reduce the risk to officers and the public, the Ontario Provincial Police should:

- consider adding a driver-training component to its annual training program and providing remedial driver training where necessary;
- ensure that every officer receives firearms training at least once every 12 months, as required by regulation; and

- consider implementing centralized tracking for firearms training to ensure that the intent of required training is understood, that training is undertaken consistently across the province, and that accurate records are kept on the training undergone by each officer.

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) has recognized the need to reduce risks to officers and the public and minimize property damage by focusing resources in the area of officer safety. The OPP has integrated training components into the new-recruit training and coach–officer training to enhance driver awareness and reduce collisions and damage. A video is currently being produced that will be utilized in training for all officers, and the delivery mechanism is under discussion. The OPP will continue to assess the different training models, ranging from formal driver training to awareness building, to ensure that a cost-effective solution is put in place to address its operational requirements and reduce preventable officer collisions/damage to vehicles.

The OPP will ensure that every officer receives firearms training at least once every 12 months.

A centralized database to track training attendance is under development. The OPP Academy is in the consultation phase of the implementation of this database, and it is anticipated that it will be operational by January 2006.

Security of Seized Items and Detachment Armaments

To maintain the integrity and security of seized property, drugs, and firearms, as well as of detachment armaments, the Ontario Provincial Police has established requirements for ensuring that:

- physical access is restricted in areas in the detachment where seized items are stored;
- adequate records are kept with respect to items placed into, inspected, and removed from the restricted areas; and
- regular audits to verify the existence of seized items are conducted, and seized items that are no longer required are disposed of in a timely manner.

In the detachments we visited, we found that these requirements were often not adhered to. For example, we found that:

- While all detachments had restricted areas for the storage of seized property, drugs, and firearms, in several cases the keys to those areas were left in an open drawer and were accessible to everyone.
- In several cases, we found that the required records of items placed in and removed from restricted areas were not maintained or, where maintained, were not adequately completed. As a result, it was often not clear who had had access to the items and for what purpose.
- Required periodic audits of seized items were often not conducted. In addition, items that had been approved for disposal were often not disposed of on a timely basis.

We also noted that, in many cases, access to restricted areas was not supervised. As a result, individual officers had unsupervised access to drugs and other seized items, a situation that could compromise the integrity of the evidence.

Many of our findings in this area are consistent with those identified in the OPP's Quality Assurance reports (see the next section).

RECOMMENDATION

To preserve the security and integrity of seized property, drugs, and firearms and of detachment armaments, the Ontario Provincial Police should:

- comply with internal requirements with regard to restricting access to and maintaining adequate records of these items;
- when items have been approved for disposal, do so on a timely basis; and
- ensure that access to high-risk items such as seized drugs is supervised.

MINISTRY RESPONSE

The Ontario Provincial Police (OPP) acknowledges that these are key areas where there is a need to enhance controls. Regional and detachment commanders have been reminded of the importance of adherence to policies and procedures in these areas and have been directed to conduct a full review of their respective locations and provide a report back by fall 2005. The Quality Assurance Unit continues to provide guidance and support to the field to minimize risk in this area.

Quality-assurance Processes

As noted earlier, the Ministry of Community Safety and Correctional Services (previously the Ministry of the Solicitor General) Internal Audit Services has not conducted any substantial audit work at the OPP in the previous four years. However, the OPP itself has three quality-assurance processes: inspections and verifications; the Self-Audit Workbook; and the Management Inspection Process.

Inspections and Verifications

OPP policy requires that inspections and verifications be conducted at detachments on a three-year cycle by members of the Quality Assurance Unit from the OPP's General Headquarters accompanied by staff from the relevant regional headquarters. The inspection process consists of a brief random check; the verification process involves a more in-depth review and the completion of a detailed checklist for selected high-risk areas of detachment operations. After either process, a report is issued to the detachment commander. Space is provided on the report for the commander's responses, including what action will be taken on the identified concerns. Once completed by the detachment commander, the document is filed at the Quality Assurance Unit. The Quality Assurance Unit prepares an annual summary of the common issues and concerns for review by the provincial commanders.

Our review of a sample of inspection and verification reports found that the reports were being satisfactorily completed. In many cases, items noted in these reports corroborated our own observations resulting from our visits to detachments. However, we also noted that the Quality Assurance Unit was not meeting the required three-year cycle, and in most cases either no responses were provided to observed deficiencies or the responses that were provided appeared inadequate. As a result, it was often not clear whether any corrective action had been taken as a result of these reports.

Self-Audit Workbook

The Self-Audit Workbook (SAW) is required to be completed annually by detachments, regional units, and bureaus within the OPP. Within detachments, the detachment commander or a designate completes a self-assessment questionnaire on selected aspects of detachment operations and submits the completed document to the Quality Assurance Unit at the OPP's General Headquarters.

Our review of the responses to the SAW questionnaires completed in the detachments we visited found that their accuracy was often questionable, with the result that little reliance can be put on this process. In particular, our review of responses provided to 10 randomly selected questions found that they often contradicted the actual practice in the detachment. For example, the SAW questionnaire asked if officers' daily journals were regularly reviewed and initialled by supervisors, and thus monitored for completeness and accuracy. Although the detachments we visited had answered yes to this question, our review and discussions with applicable staff revealed that this procedure had often not been followed.

Management Inspection Process

The Management Inspection Process is a quarterly process whereby the senior officers in a detachment review selected aspects of detachment operations and report their findings to the detachment commander. In early 2005, the Quality Assurance Unit provided a standardized template for use in completing this process. We observed that before the template was distributed, these reports were submitted in a variety of formats ranging from one to 20 pages long.

Our review of the Management Inspection Process at the detachments we visited showed that in many cases either the required inspections were not completed quarterly as required or, if they had been completed, the resulting report could not be found. We also note that because there is no requirement for these reports to be sent to the regional headquarters or the Quality Assurance Unit, detachments cannot be held accountable through this process.

We support the OPP's internal quality-assurance objectives but believe that the use of three separate processes to meet those objectives warrants review. For instance, a comprehensive process utilizing staff from different detachments and regions might prove to be both less administratively time-consuming and more effective than the present three processes.

RECOMMENDATION

The Ontario Provincial Police should assess whether its three quality-assurance processes as currently implemented meet its objectives for the quality-assurance function or whether these objectives can be achieved through a more effective process.

MINISTRY RESPONSE

In April 2005, the Ontario Provincial Police created a Risk Management Section, which assumed the responsibility for overseeing the internal quality-assurance processes throughout the organization. In July 2005, a project was initiated to review and refine the internal quality-assurance processes with regard to efficiency and effectiveness. This review will consider:

- the findings noted;
- the results of extensive consultation with internal stakeholders; and
- new processes that are targeted for implementation in early 2006.

Chapter 3

Ministry of Health and Long-Term Care

Section

3.13

Recovery of Health Costs Resulting from Accidents

Background

The Ministry of Health and Long-Term Care (Ministry) has the legal authority to recover the medical and hospital costs incurred in treating people injured in accidents caused by someone else. These recoveries are usually made through "subrogation," a legal term unique to insurance law. This recovery mechanism provides the Ministry "the right to recover costs incurred as the result of an injury suffered by an insured person, caused by the fault or negligence of another person." In subrogation, the injured person's lawyer is required to act on behalf of the Ministry, saving the Crown the need to engage its own counsel.

Until 1990, the Ministry's right of subrogation also extended to injuries arising from automobile accidents where a driver insured in Ontario was found at fault. But changes that year to the *Insurance Act*, which reformed the automobile insurance industry in Ontario, eliminated that right. The province recovered no health costs resulting from automobile accidents until 1996, when the *Insurance Act* and related regulations were amended to require automobile insurers to pay an annual "assessment of health system costs" (assessment). The assessment is in lieu of the province subrogating individual claims against at-fault drivers. The Ministry of Finance administers the *Insurance Act*, while the Financial Services Commission of Ontario (Commission) is responsible for collecting the annual assessment from insurers. The Commission has collected about $80 million annually since 1996 from automobile insurance companies through the assessment.

The Ministry of Health and Long-Term Care has a right of subrogation for all insured services provided to victims of non-automobile accidents through the *Health Insurance Act*, and all services and benefits rendered in accordance with the *Long-Term Care Act*. These accidents typically include slips and falls, medical malpractice, product liability, and general liability. Cost recoveries are pursued by the Subrogation Unit (Unit) of the Ministry's Supply and Financial Services Branch. The Unit has a staff of 21 and spends about $2.5 million annually to pursue an average of 13,000 active case files, recovering about $12 million a year (net of legal costs). Total assessment and other subrogation recoveries have remained stable over the last eight years, as illustrated in Figure 1.

Figure 1: Annual Health-care-cost Recoveries

Source of data: Public Accounts of Ontario

Fiscal Year	Health Assessment[1] ($ million)	Subrogation Revenue ($ million)	Total ($ million)
1995/96	–	5.3	5.3
1996/97	32.9	9.7	42.6
1997/98	78.3	9.2	87.5
1998/99	79.1	12.8	91.9
1999/2000	81.1	10.4	91.5
2000/01	83.9	12.3	96.1
2001/02	77.1	10.7	87.8
2002/03	82.2	13.3	95.5
2003/04	80.2	11.7	91.9
2004/05	80.3	12.0	92.3

1. Annual health assessment revenues vary from the total required assessment amount of $80 million due primarily to the timing of receipt of payments from the insurance companies.

Audit Objective and Scope

The objective of our audit was to assess whether satisfactory policies and procedures were in place to identify and recover the cost of health services provided to individuals injured as a result of someone else's negligence.

Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. Prior to commencing our work, we identified the audit criteria we would use to address our audit objective. These criteria were reviewed and agreed to by senior Ministry management.

The scope of our audit included a review and analysis of information available at the Ministry of Health and Long-Term Care's Subrogation Unit, and the Ministry of Finance's Financial Services Commission of Ontario. As well, we interviewed staff responsible for administering health-care-cost recoveries. We also researched third-party recovery programs in other jurisdictions, and reviewed research and related reports of experts in the field of health-care-cost recovery resulting from negligent or wrongful acts.

Our audit did not include a review of the policies and procedures for recovery of health-care costs by the Workplace Safety and Insurance Board of Ontario for insured persons injured at the workplace. Neither did we examine the process used by the Financial Services Commission to calculate and collect the assessment from individual auto insurers, given that the total amount is established by regulation and simply allocated to the automobile insurers based on their related premium revenues.

The Ministry's Internal Audit Services had not conducted any recent audits or reviews relating to the operation of the Subrogation Unit or the assessment of health system costs that affected the scope of our audit.

Summary

The Health and Finance ministries did not have satisfactory policies and procedures in place to identify and recover the cost of provincially funded health services provided to people injured through someone else's fault. We believe that the ministries could potentially recover twice as much as they do now, perhaps in excess of $100 million a year more. However, to accomplish this, they will need better information on recoverable health costs actually being incurred by the province.

The Ministry of Finance has not changed the $80-million annual assessment charged to the automobile insurance industry since its introduction in 1996. According to the Ministry of Finance, it has undertaken periodic informal reviews of the annual assessment paid by insurers to offset auto accident health costs incurred. In each of these cases, a decision was made to maintain the current assessment level in view of the instability of auto insurance rates and the potential negative effect on premiums. However, given that Ontario's levy per registered vehicle is among the lowest of the provinces, and that Ontario's health costs have risen 70% since 1996, there is a compelling case for a formal review of the current $80-million figure. Annual assessment revenues would rise by over $56 million if the province recovered the same proportion of health-care costs that it did in 1996. Such an increase would also result in a per-vehicle assessment amount that is more comparable to most other provinces.

Comprehensive data on the cost of health-care services provided in Ontario to people injured in motor vehicle accidents was not available. But our review of what information there was, and comparisons to other jurisdictions, leads us to conclude that the actual health costs incurred are considerably higher than what is currently being recovered from the annual assessment and that Ontario recovers proportionately less than most other provinces.

The Ministry of Health and Long-Term Care's policies and procedures for subrogating non-vehicle accident cases did not ensure that it identified and recovered all the eligible costs that it should. In particular:

- There were no recent studies or analyses of the actual health-care costs incurred as a result of accident-related injuries. The absence of information systems or processes to collect and analyze health-care costs and insurance industry data has limited the Ministry's ability to quantify the extent and costs of cases not reported.
- While the Ministry has some procedures to proactively identify and report potential court actions and settlements, much more could be done to identify unreported cases that may justify subrogation. Ministry staff acknowledged that many cases in which they may have an interest go unreported. Hospitals alone incurred costs of over $500 million in 2004 to treat more than 38,000 people injured in slips and falls, but the Ministry was subrogating only about 2,800 such cases annually. The potential for increased recoveries is thus substantial, even though there has been no study of the proportion of these accidents that is attributable to third-party negligence.
- Staff were not required to obtain management approval for individual settlements, regardless of amount, to ensure that the settlements reached were appropriate in the circumstances. Documentation supporting settlement agreements was insufficient and had not been periodically reviewed by an appropriate level of authority.
- In calculating recoveries of hospital-care costs, the Ministry did not use the uninsured hospital rates charged to non-residents receiving treatment here, as required by the legislation. Instead, it used the Interprovincial Hospital Billing rates, normally charged to other Canadians injured in Ontario. The uninsured rates are, on average, 77% higher than the Interprovincial rates currently used by the Ministry. Although other provinces also use the Interprovincial Hospital Billing rates, they add a capital-cost component of 25% to 30%. Ontario does not.
- The Ministry did not have the necessary data collection systems to proactively fulfill its responsibility to monitor the automobile insurance industry's compliance with its payment responsibilities for non-professional health services provided to persons injured in automobile accidents.

The Ministry also needs to review the feasibility and cost-effectiveness of alternative recovery methods, such as bulk subrogation agreements with liability insurers similar to the automobile insurance assessment, as a way of increasing recoveries of health costs arising from non-automobile accidents.

Detailed Audit Observations

HEALTH SYSTEM COSTS ASSESSMENT

Prior to the introduction of the *Insurance Act* amendments in 1990, the Health Ministry had full right of subrogation against defendants in automobile accident litigation. From 1978 to 1990, the Ministry entered into individual voluntary arrangements, commonly referred to as "bulk subrogation agreements," with the automobile insurance industry. Under these agreements, insurers made a predetermined lump-sum payment to the Ministry for health-care costs in lieu of individual case-by-case subrogation. These amounts were based on a percentage, to a maximum 2.4%, of the insurer's third-party liability premiums. In the last year of the agreements, the Ministry recovered $52 million from the insurance industry. With the passing of the amendments to the *Insurance Act* in 1990, both the right of subrogation and the bulk subrogation agreements were eliminated, and the province no longer recovered any health-care costs from automobile insurers.

In 1996, the *Insurance Act* was amended to include an annual assessment of automobile insurers for health-care costs incurred by the Ministry. The amount, known as the "assessment of health system costs" (assessment), was set at $80 million a year, and was intended to help defray costs incurred under the acts or programs administered by the Ministry of Health and Long-Term Care.

According to the Ministry of Finance, since its inception, the annual assessment has been reviewed informally on a regular basis, but no formal review has been initiated. Since, in each of these cases, a decision was made to keep the current level of assessment, the amount has remained unchanged. The original negotiations to determine the assessment amount recognized that this new cost would increase the premiums charged by insurers. Since then, there has been much public concern over the rising cost of automobile insurance. Consequently, the Ministry of Finance's emphasis had been on seeking ways to reduce the costs incurred by motorists and insurers. For example, the 4% sales tax on insurance premiums was phased out over four years, starting in 2001. This saved insured drivers at least $800 million since then and almost $380 million in the 2004/05 fiscal year alone.

Reforms were also introduced to control rising health-care costs. For example, guidelines were established for the treatment of minor injuries, such as whiplash, so that injured individuals receive appropriate treatment through their insurance policy rather than through the public health-care system.

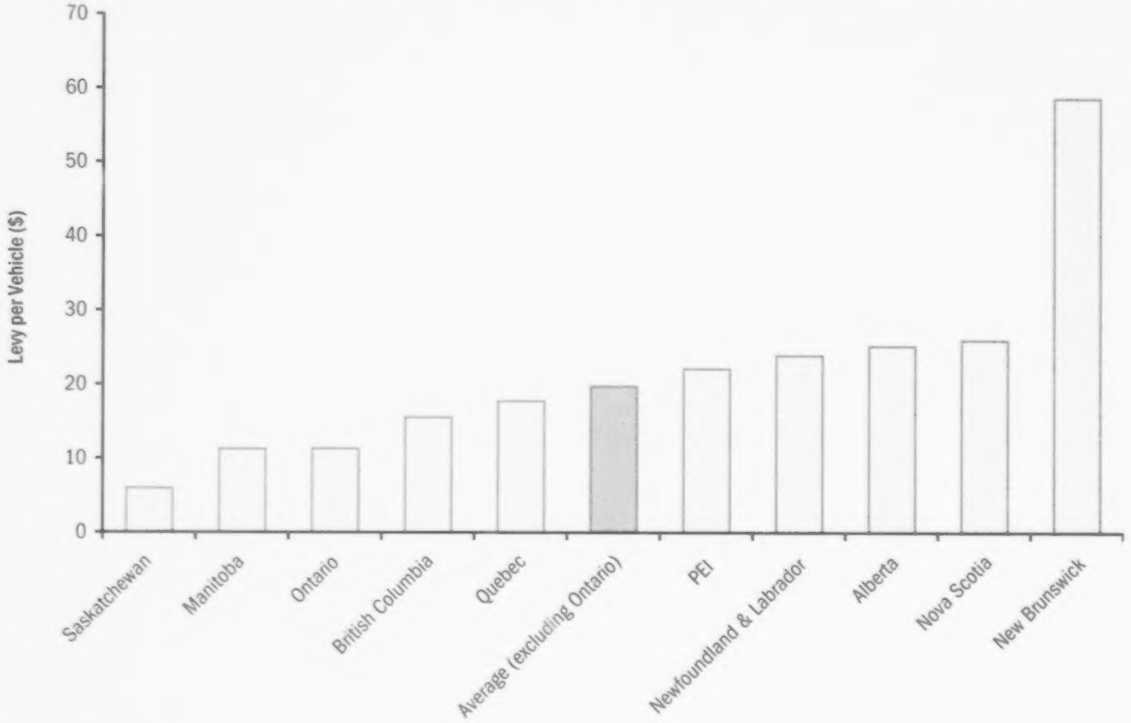
As part of our audit, we compared the assessment amount to the changes in provincial health-care costs and motor vehicle third-party liability premiums since 1996. The results of our analysis indicated that while the assessment remained at $80 million, the costs for hospital and physician services alone have increased almost 70%. In order to recover today an amount proportional to that collected in 1996, the assessment would have to rise by $56 million. In addition, we note that the assessment as a percentage of insurance companies' revenues from auto insurance liability premiums has declined from about 4% to about 2%.

We also compared Ontario's assessment to the amounts levied in other jurisdictions and found that on a per-registered-vehicle basis, Ontario's rate was among the lowest in Canada, as illustrated in Figure 2. If Ontario's assessment per registered vehicle were raised to the national average, the assessment amount would increase by $60 million, or about $8 per registered vehicle.

Given the differences in population and registered vehicles, the other provinces appear to be recovering a substantially higher percentage of their accident-related health costs from the insurance industry. In Alberta, a July 2003 report by

Figure 2: Comparison of Automobile Insurance Industry Assessment for Provincial Health Costs, 2004

Source of data: 2004 Interprovincial Third-Party Liability Conference and *Canadian Vehicle Survey* (Statistics Canada, 2004)



an independent study group, co-sponsored and co-funded by the Insurance Bureau of Canada and Alberta Health and Wellness, estimated that the annual cost to Alberta's health-care system of treating people injured in such accidents was over $150 million. The estimate was based on a study of a sample of the 32,000 casualties that occurred in that province in 2001. The group further estimated that about $100 million of these costs were the result of negligence. Alberta was recovering approximately 60% of these costs ($60.3 million) from the insurance industry.

Assessments in other provinces may be proportionately higher because most other jurisdictions require their respective health departments to annually review and assess the adequacy of the health levy in recovering provincial health costs arising from negligence. As part of these review processes, provincial health departments attempt to quantify the actual costs of the health services provided as a result of a road accident. We noted that the health-costs levies of two other provinces that have a more formal process have increased an average of 45% since 1996.

In Ontario, neither the Finance Ministry nor the Health Ministry has formally studied the cost of health-care services provided to individuals for injuries suffered as a result of automobile accidents. Reliable estimates are difficult to make in the absence of such studies. Nevertheless, given that there are far more injuries from motor vehicle accidents in Ontario than in Alberta (more than 84,000 in 2003, according to data from Ontario's Ministry of Transportation), related health costs would also be significantly higher than the costs incurred in Alberta. It is therefore likely that Ontario is recovering far less than 60% of its actual health costs resulting from motor vehicle accidents caused by others.

RECOMMENDATION

To help ensure that the "assessment of health system costs" meets its original objective, the Ministry of Finance, in conjunction with the Ministry of Health and Long-Term Care, should review the adequacy of the current assessment amount in recovering the cost of provincially funded health-care services provided to individuals injured in automobile accidents.

MINISTRIES' RESPONSES

Ministry of Health and Long-Term Care

The Ministry fully supports the Auditor General's recommendation to review the adequacy of the current assessment of health system costs. In consultation with the Ministry of Finance, the Ministry will conduct an appropriate analysis to ensure that the assessment is in keeping with the 1996 intent. In advance of this anticipated joint review, the Ministry will search for data sources to determine the true full costs associated with motor vehicle accident injuries and the potential recoverable costs over the past 10 years.

Ministry of Finance

The Ministry agrees with this recommendation and will review the current assessment, taking into consideration the cost of vehicle accident health-care costs and the impact of increasing the assessment on Ontario's auto insurance premiums.

COST OF PROVIDING HEALTH-CARE SERVICE TO ACCIDENT VICTIMS

Since 1990, no definitive studies or analyses have been undertaken to determine the actual cost of health-care services associated with accident-related injuries. Health records can only identify accident victims who visit an emergency room or are hospitalized, not those who receive treatment directly from a physician or clinic. With the exception of workplace accidents covered by the Workplace Safety and Insurance Board, the current OHIP billing process does not require a physician to indicate if the services are being provided as the result of an accident. Similarly, police collision data and accident reports are not linked to the health-care system. Consequently, it is difficult to obtain information about accidents directly.

As part of our audit, we attempted to estimate the cost of providing hospital care to persons injured in accidents relating to automobiles and to slips and falls. Using the Ministry's statistical databases for 2003/04, we obtained a report on the number of reported hospitalizations attributed to those types of accidents and the costs of a sample of them. Data on specific cases were prepared using the International Classification of Disease codes (ICD-10 codes). Developed by the World Health Organization, these clinical diagnosis codes classify cases by disease, injury, and cause of death. The results of our analysis are summarized in Figure 3. While only a portion of these accidents were a result of negligence, the figures indicate the magnitude of potential costs to the health-care system. More study is needed in this area. The experience of other provinces that have conducted such studies may be of assistance in conducting the needed study in Ontario.

It is critical that an analysis of the costs associated with health services provided to injured parties as a result of negligence be conducted to ensure that any future negotiations with the insurance industry are based on sound information about the actual costs of providing these services. For example, it would be useful to research the proportion of slips and falls due to the negligence of others.

Figure 3: Estimated Hospitalization Costs Attributed to Accidents, 2003/04

Source of data: Ministry of Health and Long-Term Care, Ontario Case Costing Initiative Databases

Type of Accident	# of Cases in Emergency Ward	Service Cost Emergency Ward ($ million)	# of Cases Hospitalized	Cost of Hospitalization ($ million)	Estimated Total Hospital Costs ($ million)
automobile	74,890	24.3	6,865	94.1	118.4
slips and falls	344,360	76.8	38,780	451.4	528.2
Total	**419,250**	**101.1**	**45,645**	**545.5**	**646.6**

RECOMMENDATION

(This and all subsequent recommendations were issued to and responded to by the Ministry of Health and Long-Term Care.)

To help determine the recoverable amounts for the costs of health-care services provided to injured parties as a result of someone else's negligence, the Ministry should develop a cost-effective method for periodically collecting the necessary cost information to reliably estimate the cost to the health system.

MINISTRY RESPONSE

The Ministry fully agrees with the Auditor General's recommendation and will explore the use of available corporate databases to obtain better information relating to the cost of treatment for victims of accidents and will work with the Ministry of Finance on future reviews of the assessment of health system costs. During the course of analyzing and evaluating health-care costs to determine the appropriateness of the assessments for automobile insurance claims, the Ministry will develop a mechanism (such as statistical reports) to assist in determining the proper costs to be recovered.

IDENTIFICATION OF POTENTIAL SUBROGATION CASES

The Subrogation Unit relies on the legislative requirement that the plaintiffs, their lawyers, and the defendants' insurers must notify the Ministry of pending lawsuits, claims against insurance policies, and settlements resulting from negligence. However, the Unit has neither the resources nor a systematic method to proactively identify instances where it has not been notified of a legal action or settlement in which recoveries could be made.

According to a 1996 internal review, Subrogation staff said that they were receiving notification in only 60% of the potential health-care recovery cases. They said that the problem "would only increase as legal representatives become aware of the loopholes within the existing legislation." For example, many large organizations are either self-insured or have a high deductible, and often settle directly with the injured party to avoid publicity or increased insurance premiums. The current legislative reporting requirements do not cover self-insurers. Consequently, the Unit believes that many potential third-party liability cases are still not being identified and reported to the Ministry.

Insurers are expected to complete a standard accident report for all claims, providing the Ministry with details of the claim, including the insurer and injured-party information. At the time of our audit, Ministry management estimated that only 2% of its current subrogation cases were a result of information provided by insurers. Legal experts say that if liability insurers voluntarily reported all out-of-court settlements, the Ministry's subrogation revenues could rise by 25%, or $3 million.

The Ministry also needs better information to help it monitor claims reporting by insurers. For example, the Ministry needs to collect information in order to compare the number of notifications by insurers to their share of the liability insurance business and to their loss-experience data. Explanations could be obtained from those companies with below-average notifications in comparison to the policies written or losses incurred. In one province, the health department tracks the number of notifications by insurance company for analysis purposes.

One way to proactively detect potential subrogation cases at the point of origin is to periodically collect case information from hospital databases using the ICD-10 codes. As part of our audit, we asked the Ministry to use these codes to prepare an analysis for the 2003/04 fiscal year of all patients receiving hospital treatment for injuries resulting from slips and falls. From this analysis, we found that some 38,000 people were hospitalized that year for such falls, at a cost to the provincial hospital system of approximately $530 million. In comparison, the Subrogation Unit annually recovers from about 2,800 cases relating to falls, or less than 7% of such hospital admissions. Although it is unlikely that most falls are the result of negligence of a third party, the very low notification rate suggests that liability insurers may not be alerting the Ministry to all negotiated settlements.

The data from a sampling of 11 Ontario hospitals also indicated that 50 patients suffered serious accidental falls resulting in hospitalization costs exceeding $100,000 each. These costs don't include the amounts paid out for physician services through the OHIP system, or any other services provided by long-term care facilities or other service providers. We provided these data to the Unit and as of May 2005, it was still in the process of investigating the cases to determine if any of them are subject to subrogation.

Another way to increase reporting of settlements by insurers and lawyers is to periodically remind them of their legal responsibility to inform the Ministry of all such settlements. Reminders could be delivered by placing articles in insurance industry and legal profession periodicals, by speaking at the appropriate conferences, or by working with industry associations to clarify respective responsibilities in this area.

RECOMMENDATION

To help improve the effectiveness of the notification process for potential subrogation cases, the Ministry should:

- assess the potential of using data contained in the health-care information systems to detect unreported subrogation claims;
- develop a process to efficiently collect and analyze insurance company claims data; and
- develop a stakeholder education strategy to reinforce awareness among lawyers and insurers of their legal obligations to report accidents resulting from the negligence of someone else.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General that a number of opportunities exist that could improve the effectiveness of the notification process for potential subrogation cases. While investigating the usefulness of the corporate health databases for motor vehicle accident costing purposes, the Ministry will also evaluate the usefulness of the information for identifying other unreported accident claims for which the Ministry may have a right of subrogation. In addition, the Ministry will continue to research other potential sources of information that may exist or be in development within the Ministry or at other ministries.

The Ministry has identified the need for various reporting requirements, including the need to capture data not currently available. The Ministry will be creating an internal database that will provide critical information, such as the ratio of the number of accidents reported by each private casualty insurer in the province to the volume of business as reported by each insurer in their Annual Statistical Report. Where a significant deviation exists between the number of accident cases reported to the Ministry versus the losses reported by the insurer, follow-up with individual insurers will take place.

In the past, the Ministry has placed a "Reminder to Solicitors" in the *Ontario Report* (a serial publication that contains, among other things, government notices to the legal profession) reminding legal counsel of their statutory duty to include a claim on behalf of the Ministry in their client's (the insured person's) personal injury claim for damages. The Ministry will review the timing for inserting a future notice to solicitors. In addition, as part of a stakeholder education strategy, the Ministry will continue to provide information sessions at industry-sponsored conferences and trade shows, with a target audience of private insurance claims specialists, lawyers, and health-care providers. Also, other strategies will be evaluated and implemented based on their anticipated effectiveness. Such strategies could include publishing articles in industry publications and engaging plaintiff law firms to present the Ministry's requirements at specific venues, such as Ontario Trial Lawyers Association seminars.

REVIEW OF SUBROGATION FILES

The Subrogation Manager and Officers are responsible for evaluating potential cases to ensure that the Ministry's legal right to recover funds is maximized. Each year, the Unit opens and closes approximately 5,000 case files. Subrogation Officers have a great deal of autonomy in reaching decisions with plaintiffs, their legal representatives, and insurance adjusters.

In reviewing a sample of subrogation files, we observed the following:

- The Unit's current policy does not require a Subrogation Officer to obtain the Unit Manager's approval before accepting a settlement offer. Currently, Subrogation Officers have complete authority, regardless of the dollar value of a case, to respond to a settlement offer by accepting it, rejecting it, or referring it to senior management.
- Although the Unit's policy indicates that Subrogation Officer files are to be reviewed by the Manager or Team Leader, we found no formal documentation or reports on the results of such reviews, or any ensuing recommendations. The case files we reviewed generally lacked sufficient documentation to support the settlement reached. In one case involving past and future health costs of $700,000, the Subrogation Officer accepted a lawyer's telephone offer of $200,000. However, the file did not provide the calculations used to reach the anticipated future health costs or the reasons why the settlement offer was deemed adequate.

We noted that at least one province has policies and procedures requiring the approval of senior management for settlements in excess of $50,000. As well, the program director in that province indicated that they use a standard process to periodically audit their case files for adherence to program-documentation policy and procedures.

Such an independent review of the closed files provides senior ministry management with some assurance that decisions and actions are properly documented, both administratively and legally, and that a reasonable settlement is achieved in the circumstances. Given the complexity of the subrogation process, periodic review by independent experts could provide an opportunity for staff training and ensure a more consistent recovery process.

RECOMMENDATION

To help ensure that settlement decisions are appropriate and supported by adequate documentation, the Ministry should:

- update its policies to require management approval for settlements over a specified amount; and
- periodically conduct an independent review of case files, and document the results, including actions taken to correct any deficiencies.

MINISTRY RESPONSE

The Ministry agrees with the findings of the Auditor General's review and assessment of current subrogation operational policies and procedures. Currently, Subrogation Officers, who are responsible for file development and negotiation of the Ministry's subrogated claim, have complete control of the file. Subrogation files are referred or escalated to senior staff or the Unit Manager based on the complexity of the file or for non-routine matters (such as a variation of a case-law precedent) and not based on the value of the potential subrogated interest. Although there is a requirement to document all file activity, it is acknowledged that this may be lacking in some instances.

In order to ensure that settlement decisions are appropriate, the Ministry will:

- conduct a review of its current policies and procedures;
- update operational procedures to reflect a new automated workflow system;
- require management approval for settlements over a predetermined amount; and
- develop a standardized process to periodically review case files for adherence to program-documentation policy and procedures based on best practices used in other jurisdictions.

CALCULATION OF HOSPITAL COSTS

The *Health Insurance Act* (Act) defines for subrogation purposes the cost of a service rendered to an insured person—a resident of Ontario—in a hospital or health facility. Specifically, the Act requires the Ministry to use the hospital rates that apply to persons not covered by any provincial health plan. These rates are considerably higher than the Interprovincial Hospital Billing rates charged to other Canadians receiving treatment in Ontario.

In reviewing a sample of subrogation files, we observed that the Ministry was not using the required uninsured rates when preparing payment summaries. Rather, it used the Interprovincial rates for both in-patient and out-patient services. Although the Unit maintains and annually updates the uninsured rates for all Ontario hospitals, management was unable to explain the rationale for using the lower Interprovincial rates rather than the required, higher, non-insured rates when calculating the costs of health-care services for subrogation purposes.

To estimate the impact of the difference in rates, we obtained a sample of more serious cases from 11 hospitals and compared their uninsured rates per day and their actual average costs per day to the Interprovincial rates for both in-patient and out-patient services. Based on our sample, the Interprovincial rates used in subrogating claims did not realistically reflect the true cost of hospital services, and were significantly below the current hospital daily rates charged to uninsured patients.

The insured rates used by the Unit are on average 77% lower than the uninsured rates. Assuming that about half of the current annual subrogation revenues of $12 million relate to hospital costs, the Ministry could collect $4 million more if it used the rates required by legislation or $1.6 million more based on actual costs. Actual recoveries would vary depending on such factors as court decisions, size of awards, and liability limits of insurers.

We noted that while other provincial health departments use the Interprovincial Hospital Billing rates, they add a capital component of 25% to 30% in arriving at their hospital per-diem rates. In Ontario, no allowance for capital costs is added to the Interprovincial rates.

RECOMMENDATION

To help ensure that health-care costs are recovered as required by legislation, the Ministry should discontinue its practice of using the Interprovincial Hospital Billing rates to calculate costs for subrogation claims.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's findings and will review the hospital cost recovery rate. The Ministry's review will require extensive consultation with private casualty insurers, who may need to modify or adjust their policy/premium rating practices to accommodate this cost exposure.

OTHER APPROACHES TO RECOVERING COSTS

There are a variety of other methods for recovering health costs incurred as the result of the negligence of someone else. These include direct court action, also known as the independent right of recovery, and annual health cost assessments on the insurance industry.

In some other jurisdictions—Alberta, for example—subrogation has been replaced with the independent-right-of-recovery method, in which the province launches its own legal action independent of the injured person.

In reviewing the Ministry's subrogation activities, we observed that the Unit is pursuing a significant number of files for which it has a relatively small subrogation interest. Although each individual file is relatively insubstantial, on a cumulative basis they represent considerable revenue and are worth pursuing.

Unit staff indicated that much of the administrative cost of subrogation relates to collecting the information on health costs incurred. Once this information is obtained, they will pursue virtually all claims they have researched because there are few additional costs. More than two-thirds of all files closed in 2004/05 resulted in recoveries of less than $1,000, as indicated in Figure 4.

Prior to the introduction in 1996 of the assessment of health system costs, the Ministry negotiated "bulk subrogation agreements" with the major Ontario automobile insurers. In exchange for waiving its subrogation rights, the Ministry accepted from insurers a payment based on a proportion of their premium revenues. The primary benefit of this

Figure 4: Recovery per Closed Subrogation File, 2004/05

Source of data: Ministry of Health and Long-Term Care, Subrogation Unit

Amount Recovered	# of Closed Files	% of Total Files	% of Annual Recovery
less than $1,000	3,524	68	8
$1,001-$5,000	1,288	25	24
$5,001-$10,000	225	4	12
$10,001-$100,000	166	3	34
over $100,000	14	<1	22
Total	**5,217**	**100**	**100**

approach was a reduction in the administrative and legal costs of subrogating claims individually.

Similar agreements with the insurance industry could be examined for non-automobile cases. The introduction of agreements containing annual assessments would be more economical to administer and would provide greater certainty and predictability for both the Ministry and the insurance industry. However, before entering into such agreements, the Ministry needs better information on the costs of health services it provides to accident victims.

The decrease in caseload resulting from implementing such agreements would potentially enable the Ministry to redeploy resources to other areas, including monitoring the recovery of health-care costs from self-insured and uninsured parties, or focusing greater effort on monitoring larger cases not covered by new bulk agreements.

Since 1996, the Ministry has been developing the necessary legislative changes to allow the recovery of other health-care service costs not included in the current subrogation legislation. These include the cost of prescription drug benefits and assistive devices such as wheelchairs. In our review of other provinces' recovery programs, we noted that four of the largest provinces currently include the cost of prescription drugs in their recovery processes. In its business case, the Unit estimated that adding prescription drug benefits and assistive devices would result in additional recoveries of $5 million a year.

RECOMMENDATION

To help ensure that the recovery of health-care costs is being made in an efficient and effective manner, the Ministry should formally analyze other methods of cost recovery and pursue initiatives already identified that may increase cost recoveries.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation to formally analyze other methods of cost recovery that will result in operational and cost-recovery efficiencies.

To achieve this goal, the Ministry will:

- continue with its plans to expand the right of subrogation to other ministry-funded programs, such as the Ontario Drug Benefit Plan (ODB) and the Assistive Devices Program (ADP), which requires legislative amendments to overcome barriers that limit the Ministry's entitlement to recover costs;
- update and validate past analysis on the potential recovery of other ministry-funded programs (ODB and ADP specifically);
- analyze the financial impacts on cost recovery from legislative amendments (removing barriers); and
- quantify the value of the potential health-care cost recovery of all recoverable accident claims not currently reported by using information and data collected from the review of data sources for identifying non-reported accident claims.

The completion of these steps may be necessary to maximize cost recovery under any other method of cost recovery, including entering into agreements with the private casualty insurers.

LEGAL BARRIERS TO SUBROGATION PROCESS

The legislation governing the Ministry's right of subrogation has historically been subject to legal challenges that tended to weaken the Unit's ability to recover health costs. According to staff, these have become more numerous and creative in recent years, leading to precedents and interpretations of the legislation that have either reduced or eliminated the Ministry's ability to recover costs in certain circumstances.

Other provinces have encountered similar difficulties. However, most of the provinces we reviewed either amended their legislation or initiated policy changes to address the effects of precedent law. For example, Alberta discontinued subrogation in favour of the direct-recovery method. Prince Edward Island and Nova Scotia amended their legislation to reduce the effects of certain legal precedents on their subrogation programs.

According to ministry documentation, since 1995 the Unit has been proposing amendments to its legislation designed to clarify the Ministry's subrogation rights and reduce the effects of court decisions. For example, changes were recommended to strengthen the notification requirements for lawyers, insurance companies, and self-insured persons and to increase the sanctions for failure to notify the Ministry.

The Ministry advised us that it anticipated that the necessary amendments to the *Ministry of Health Act* would be introduced in the spring 2006 session.

MONITORING INSURERS' COMPLIANCE WITH PAYMENT RESPONSIBILITY

With the amendments to the *Insurance Act* in 1990, automobile insurers became responsible for the cost of non-professional health-care services required by their clients following automobile accidents. These include personal support, attendant care, and homemaking assistance. Such services may be provided through the ministry-funded Community Care Access Centres (CCACs), long-term-care facilities, or other service providers, who invoice the insurer. Alternatively, automobile insurers may arrange for their clients to receive these services and pay the service provider directly.

In a 1996 internal review, the Unit estimated that the province, through the CCACs, was providing about $10 million a year in attendant and homemaking services that should have been paid by insurers.

The Unit assumed responsibility for monitoring compliance by insurers with these payment responsibilities. But it was never given the necessary supporting data-collection systems required to effectively fulfill this mandate. The Unit does not have a systematic process in place to monitor or detect insurers who fail to make the appropriate payments. Consequently, it can seek full reimbursement from an insurer only after becoming aware that the province has paid for non-professional services that were the responsibility of that insurer.

In an effort to help clarify the respective responsibilities of all parties, the Unit undertook an education and awareness program. Unit staff attended meetings sponsored by hospitals, insurers, and community service providers to explain the parties' respective roles with regard to responsibilities for providing services.

However, we observed that the Unit has little information on the effectiveness of these education and awareness programs. As well, the Unit does not routinely receive information from insurers or the CCACs indicating either the number of automobile accident victims referred by the CCAC to their insurers or the number of seriously injured automobile accident victims receiving CCAC services due to insufficient insurance coverage. Such information would provide the Unit with an indication of the magnitude of payments currently being made by the insurance industry and the potential for further recoveries.

RECOMMENDATION

To help ensure that the Subrogation Unit is effectively fulfilling its responsibility to monitor insurers' compliance with their payment responsibilities, the Ministry should develop:

- a formal communication plan to increase public and private awareness of the respective responsibilities of the province and insurers for certain health services associated with automobile accidents; and
- processes to collect information from the insurance industry and service providers to help identify those health costs that should have been borne by insurers.

MINISTRY RESPONSE

The Ministry agrees with the findings and recommendations of the Auditor General. To ensure the compliance of private automobile insurers in making payments and provisions for certain health-care benefits required as a result of a motor vehicle accident, the Ministry will put in place a formal structure to improve communications with Community Care Access Centres (CCACs) and other stakeholders. The plan will include:

- expanding its information sessions to all CCACs in the province;
- formalizing an information package for all CCACs and companies in the insurance industry;
- communicating the automobile insurer's requirements in all information sessions, conferences, and other stakeholder forums;
- in consultation with CCACs, developing processes to collect information on the effectiveness of any communication strategies and information sessions; and
- researching other methods that may be available or developed to collect information from the insurance industry or other areas, such as health-care-provider groups or the Ministry of Finance.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

Good performance information is essential for sound decision-making and for demonstrating the achievement of program objectives. Currently, the Subrogation Unit has two distinct goals:

- recover the cost of health services resulting from an injury to an insured person caused by the fault of another where the law permits such recovery; and
- monitor insurers' compliance with their responsibility to pay for certain health-care benefits required by an insured person injured as a result of an automobile accident.

The Ministry has not established specific objectives with measurable targets to allow senior management to assess how effectively the Unit is fulfilling its goals and achieving specific results. At the time of our audit, the Unit was providing senior management with basic monthly information on its subrogation activities, including the number of files opened and closed, and recoveries made. As for its monitoring of insurance industry payments, the Unit was unable to provide any data on its activities in this regard.

Other statistical information, such as the ratio of recoveries to actual health-care costs incurred, might provide a better indication of the Unit's effectiveness in recovering costs. It would also permit management to identify trends that require further investigation and corrective action.

RECOMMENDATION

To help demonstrate that the Ministry is effectively fulfilling its goals for recovering health costs and for monitoring whether insurers' payment responsibilities are being adhered to, and to support the related decision-making process, the Ministry should develop measurable objectives and performance targets to track progress in achieving these goals.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation that measurable objectives and targets be established. The Subrogation Unit does provide a five-year outlook on subrogation cost recovery based on past-year recoveries and current indicators, such as the impact of case law.

In 2005, the Subrogation Unit implemented a new automated workflow system. As part of this automated system, the Ministry will develop meaningful indicators in support of a Management Information System (MIS). This MIS will include individual and collective performance measurements to evaluate file management processes and the cost effectiveness of pursuing certain file types.

The Ministry will establish measurable objectives using information and data gathered from other data sources while identifying health-care costs for victims of motor vehicle accidents and identifying other sources for non-reported claims.

Chapter 3 Ministry of Government Services

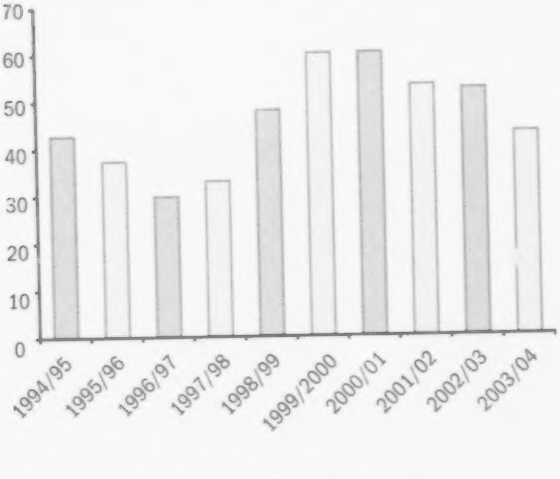
Section 3.14 Temporary Help Services

Background

Temporary help services are defined as the short-term engagement of qualified employees acquired through a private-sector temporary help agency, a temporary fee-for-service arrangement, or other sources outside of the public service. The Ministry of Government Services (Ministry), formerly Management Board Secretariat, is responsible for the development of government-wide policies, such as the *Temporary Help Services Policy*, and the mandatory requirements in the *Procurement Directive for Goods and Services*. This directive specifies the principles governing the planning, acquisition, and management of temporary help required by the government.

Figure 1: Expenditures—Temporary Help Services, 1994/95–2003/04 ($ million)

Source of data: Public Accounts of Ontario



Based on the best information available at the time of our audit, there were about 4,400 people engaged to perform work for the Ontario government who were not employees of the province. Most were temporary help workers, employed either directly by a government ministry on a fee-for-service basis or through a private-sector temporary help agency. Temporary help ranges from entry-level clerical and other administrative staff to highly skilled professionals, engaged on a day-to-day basis or for more extended periods of time. In the 2004/05 fiscal year, government-wide expenditures on temporary help services were $40.1 million, and over the preceding 10 years, expenditures recorded for temporary help totalled $460 million, as illustrated in Figure 1.

Audit Objective and Scope

The objective of our audit was to assess whether temporary help services were acquired and managed with due regard for value for money, and in compliance with legislation, policy, and contractual agreements.

The criteria used to conclude on our audit objective were discussed with, and agreed to by, senior management and related to systems, policies, and procedures that should be in place. Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The scope of our audit work included interviews with ministry staff, a review of government policies and administrative procedures, and an examination of invoices and other related documents. We conducted detailed testing at five government ministries that account for 58% of temporary help services expenditures: Health and Long-Term Care; Attorney General; Community and Social Services (including Children and Youth Services); and two former ministries that are now part of the new Ministry of Government Services: Management Board Secretariat and Consumer and Business Services. Additional testing of select issues was conducted at four other ministries that accounted for an additional 22% of temporary help services expenditures, as illustrated in Figure 2.

Our audit also included a review of work that had been done by internal audit throughout the government. We did not reduce the extent of our audit work because internal audit had not conducted any audit work specifically related to temporary help services.

Figure 2: Temporary Help Expenditures by Selected Ministries, 2003/04

Source of data: Public Accounts of Ontario

Ministry	Temporary Help Costs ($)	% of Total Costs
Where Detailed Testing Performed		
Health and Long-Term Care	9,456,553	22.0
Management Board Secretariat*	6,005,197	13.9
Attorney General	4,700,181	10.9
Community and Social Services	3,659,004	8.5
Consumer and Business Services*	1,268,068	2.9
	25,089,003	**58.2**
Where Selected Testing Performed		
Public Safety and Security	3,892,206	9.0
Finance	2,798,946	6.5
Transportation	2,495,896	5.8
Education	339,970	0.8
	9,527,018	**22.1**
Where No Testing Performed		
other ministries	**8,470,163**	**19.7**
Total	**43,086,184**	**100.0**

* As of June 2005, ministry became part of the new Ministry of Government Services.

Summary

In four of the five ministries we selected for detailed testing, we found non-compliance with government procurement policies designed to ensure that temporary help services were acquired and managed with due regard for value for money. Fundamental procedures designed to ensure compliance and value for money need to be put in place at these four ministries. In the fifth, the Ministry of Community and Social Services, we concluded that adequate procedures were in place for some aspects of temporary help procurement, although improvements were still needed in other areas.

Specifically, we noted the following:

- Despite a government policy that, with few exceptions, limits the tenure of temporary help employees to six months, more than 60% of the temporary staff we tested were working in the government for more than six months, and 25% were there more than two years. One temporary employee had worked for the government continuously for more than 12 years.
- In four of the five ministries we examined, almost 90% of the temporary help staff we tested were engaged for purposes other

than those permitted by government policy (replacing absent employees, temporarily filling vacant positions, or augmenting staff during peak workload periods). Only the Ministry of Community and Social Services was substantially in compliance with this requirement.

- The temporary help engagements we tested were sole-sourced, with no quotes from other vendors, and none was competitively tendered. Over half of these arrangements resulted in payments exceeding $25,000, the threshold for which a competitive process is required. Since 1999, when the government did not renew standing agreements with a number of temporary help agencies, tens or even hundreds of millions of dollars may have been spent without a competitive process in place.
- We noted significant differences in the rates of various agencies, suggesting that ministries could have obtained the same services for less had they shopped around. We also found that overall, the temporary agency staff that we reviewed were paid more—sometimes substantially more—than comparable government employees. For example, one temporary help employee was paid $125 per hour when a comparable government employee would have received only $60 per hour.
- In the 2003/04 fiscal year, the province paid one temporary help agency $10.5 million, including almost $4 million from the former Management Board Secretariat. We were informed that a former employee of the Secretariat runs this agency. Another agency, run by a former Ministry of Health and Long-Term Care employee, collected almost $700,000 from that ministry during the 2003/04 fiscal year. A perception of unfair advantage can be created when government ministries do significant business with entities run by former government employees and such work is awarded without a competitive process.
- Some temporary workers are retired government employees who collect full pensions while earning a salary for their temporary work despite specific regulations requiring that their pensions be reduced when they return to work for the province.
- We found that numerous temporary employees were listed as secondments from organizations, such as hospitals, that receive provincial funding. The Ministry of Health and Long-Term Care employs almost two-thirds of such seconded employees working in the government. However, many of these individuals were recruited by the ministry and put on the payroll of these outside organizations to facilitate their secondments. In return, the organizations received increases in their provincial funding to cover the salaries of these individuals. Consequently, money that was recorded, for example, as hospital operating grants was being spent on other health programs and ministry administration instead.
- We noted many errors in recording consulting services as temporary help, and many other cases where temporary help was accounted for as either consulting services or transfer payments. Consequently, any decision-making based on this information for ministry or government-wide management and control purposes may be flawed.
- Alternatives for providing temporary help employees were last considered in 1996, when the government was contemplating cancellation of its in-house pool of temporary staff. In 1997, the government selected 20 vendors to supply temporary help for 69 job classifications. The agreements with these vendors expired in 1999. Since then, neither the government nor the ministries we reviewed had analyzed the costs and benefits of alternative options for staffing temporary help assignments more cost effectively.

OVERALL MINISTRY RESPONSE

We appreciate the Auditor General's comments regarding temporary help services in the Ontario government and are committed to ensuring that proper controls are in place and followed.

Since the 1990s, the size of the Ontario Public Service (OPS) has dropped considerably. The size of the Ontario government's workforce has been reduced by 20%, from over 81,000 full-time-equivalents (FTEs) in 1995 to 65,000 in 2005. Between 1995 and 1998, FTEs dropped by just over 15,000. The speed and magnitude of this decline placed considerable strain on the OPS and its ability to deliver quality public services. In order to maintain quality delivery of key government programs and services, the OPS has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS procurement and human resources (HR) directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

Part of the Ministry's mandate is a commitment to rebuild the public service in key priority areas. This means carefully reviewing the mix of classified, unclassified, temporary, and consulting workers to ensure the appropriate use and optimal balance of workers. To date we have:

- Reduced the use of consultants: In collaboration with bargaining agents, converted work previously done by consultants into 590 staff positions, saving $22 million a year;
- Undertaken a process to identify and achieve the appropriate level of contingent staff within our workforce and will collaborate with our bargaining agents as part of this process; and
- Strengthened our control environment: Established and implemented an appropriate control environment regarding the acquisition of consulting and goods and services.

Our efforts over the last three years have resulted in a 24% drop in spending on temporary help services.

The Ministry is implementing an action plan that includes strengthening existing policies, introducing a vendor-of-record arrangement, and implementing other supporting tools.

Detailed Audit Observations

PLANNING FOR THE USE OF TEMPORARY HELP

The *Procurement Directive for Goods and Services* states that ministries must undertake planning as an integral part of the acquisition process. This planning includes the justification of the need for the service, an assessment of the availability of the necessary resources internally, and the receipt of all necessary authorizations. Additionally, the *Temporary Help Services Policy* outlines the conditions required to determine if the acquisition of temporary help is appropriate.

Conditions Required for the Use of Temporary Help

The *Temporary Help Services Policy* states that such services can be used only where a regular employee is absent due to vacation, sick leave, other leave of absence, or an inter-ministry secondment; during an interim period when a position has become vacant and a replacement is being actively sought;

or to augment staff during peak workload periods. The policy further stipulates that no temporary worker may be employed for more than six months, except when replacing an employee on a leave of absence of more than six months. The policy is mandatory for all ministries; however, many of the managers we interviewed who had engaged temporary employees claimed that they were not aware of the existence or the contents of this policy.

We reviewed the circumstances under which temporary help services were engaged at five ministries and found that four of them did not have procedures in place to ensure that temporary help services were engaged in accordance with government policy. We found that the fifth, Community and Social Services, had procedures but that compliance could be improved. Specifically, we noted the following:

- Only the Ministry of Community and Social Services employed temporary help in substantial compliance with government policy. In the four other ministries that we examined, almost 90% of the temporary help staff that we tested were not filling in for absent employees, temporarily covering vacant positions, or augmenting staff during peak workload periods.
- More than 60% of the temporary help staff we tested had worked continuously in the government for more than six months, and 25% had been there more than two years. One person in our sample had been working in the government continuously for more than 12 years, and another eight for more than five years each.
- Ministry management indicated that temporary agency staff were acquired not just to backfill vacancies or to augment staff during peak workloads, but also to deal with permanent increases in work. For example, the workload in one ministry program increased due to a change in program eligibility rules in 1999 that made more people eligible for funding support. As a result, the number of applications to the program increased, and more staff were needed for data entry. The ministry stated that it had intended to automate the process, and so acquired temporary agency personnel instead of hiring permanent staff. At the time of our audit, however, no definitive plans were in place to automate the process, and the program had continually engaged individuals from a temporary help agency.

Not only is such long-term employment of non-government personnel contrary to government policy, but the two major government unions have alleged that such arrangements contravene the contracts negotiated with them. In 2002, both the Ontario Public Service Employees Union (OPSEU) and the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) filed grievances claiming that the government violated collective agreements by using temporary help agency personnel and fee-for-service consultants to perform work that should have gone to government employees. The unions sought orders directing the employer to stop such practices.

In respect of OPSEU, the grievance board ordered the government to prepare a list of non-government employees in each work site identified in the grievance. At the time of our audit, the grievance process was still underway, but concerns over several work sites have been resolved by mediation, with the requirement that government employees fill 590 positions held by temporary help workers. With regards to AMAPCEO, the grievance board ordered the government in October 2004 to collect information on the use of non-government employees and disclose it to the union. At the time of our audit, AMAPCEO and the government had not reached a settlement.

Justifying the Use of Temporary Help Services

In addition to the requirement in the *Procurement Directive for Goods and Services* to justify the use of temporary help services, the *Temporary Help Services Policy* states that ministry files should include the rationale for the use of such services. Such documentation helps to ensure compliance and is particularly relevant when hiring individuals with technical or other specialized skills.

We selected a sample of temporary employees from five ministries to determine if proper justification was documented prior to their engagement. We found that the requirement to justify the need for temporary help was not documented in four of the five ministries selected for detailed testing. Only the Ministry of Community and Social Services had procedures in place to ensure that the need for the engagement of temporary help services was documented. At the other four ministries tested, we noted that for over 80% of the temporary help service arrangements we reviewed, there was no documented justification identifying the need to engage such services.

Assessing the Availability of Internal Resources

The *Procurement Directive for Goods and Services* requires that the availability of necessary human resources should be addressed and documented during the planning phase of the acquisition process. Related guidelines also state that although both government and non-government employees can complete temporary work, the services of temporary help agencies may not be purchased when existing ministry resources are available.

The ministries we tested did not formally assess whether internal resources were available before acquiring temporary help services from outside sources. We were informed that resources from other areas of the government were limited because of staffing constraints in place at the time. However, without an assessment of available resources, ministries cannot ensure that operational needs are being met in the most cost-effective manner. In addition, the proper evaluation and documentation of available resources could help ministry management identify recurring areas where training or hiring individuals with the required skills would be a more appropriate strategy for obtaining staffing resources.

Authorization for Hiring Temporary Help

Temporary help services acquired in accordance with government policy must be short-term and would not usually exceed the thresholds established for ministry approvals. Accordingly, each ministry is required to determine its own procedures consistent with obtaining value for money. In addition to the required ministry approvals, a government-wide hiring freeze in effect since August 2003 required ministries to obtain deputy minister approval prior to filling a newly created position, a permanent vacancy of any duration, or a temporary vacancy of more than six months.

We reviewed the approval processes in place and found that of the five ministries tested, only the Ministry of Community and Social Services had procedures in place to document approvals and obtain the required deputy minister sign-off to hire temporary help for more than six months. None of the other four ministries could provide evidence that proper approvals had been received prior to hiring more than 90% of their temporary help personnel.

RECOMMENDATION

The Ministry of Government Services should work with senior government managers to implement procedures to ensure proper planning and compliance with government policies, including the requirements to:

- engage temporary help only for those purposes allowed by government policy;
- document the justification for the use of temporary help;
- consider the availability of resources from other areas within the ministry and across the government; and
- obtain the necessary approvals if temporary help is to be engaged for longer than six months.

MINISTRY RESPONSE

The Ministry agrees with the recommendations.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS procurement directives must be achieved. Our existing procurement and human resources (HR) policies and directives provide a comprehensive framework that ministries must follow.

Ministries have been instructed to ensure that when acquiring temporary help services they document the reason for the engagement, confirm that internal resources are not available to carry out the work, and ensure that all necessary approvals have been obtained and are fully documented. These arrangements must also fit into an overall workforce plan and strategy.

In 2004/05, the OPS strengthened controls over the hiring of permanent and contract staff. These controls ensure that appropriate accountability is in place for staffing activities, fiscal responsibility is maintained, and the size of the OPS workforce is appropriate.

In order to support ministries in the procurement of temporary help services, the Ministry has clarified all controls regarding the appropriate use and acquisition of temporary help services. The clarification of our HR policies and procurement practices regarding temporary help will complement existing controls and strengthen our current practices.

On September 2, 2005, the Ministry provided specific direction to all ministries in order to ensure that they fully document the following requirements:

- availability of existing resources;
- business rationale for retaining temporary help services; and
- adherence to delegation-of-authority approval levels.

In October 2005, the Ministry will launch an on-line tool kit to assist ministries in adhering to existing procurement and HR policies and directives, including the requirement that all temporary assignments over six months have an approved business case.

The Ministry is currently undertaking a comprehensive review of the government's temporary help policy. In the context of this review, the Ministry will be providing further direction as to the appropriate use of alternative staffing arrangements. This review will be completed by March 31, 2006. The review will complement our overall objectives to reduce the contingent workforce, where appropriate, as per our labour relations commitments.

ACQUISITION OF TEMPORARY HELP SERVICES

The *Procurement Directive for Goods and Services* states that goods and services shall be acquired from qualified vendors through a competitive process to meet specific needs and to achieve, at the very least, value for the money expended. The Directive also states that:

- vendor access to competitions for government business shall be open, fair, and transparent;
- conflicts of interest shall be avoided in acquiring goods and services, and in resulting contracts;
- vendors shall not be permitted to gain a monopoly for a particular kind of work; and
- relationships shall not be created that result in continuous reliance on a particular vendor.

Competitive Acquisition

In 1999, when the government did not renew standing agreements with a number of temporary help agencies, ministries were informed that they were to acquire temporary help services from the private sector through the normal procurement processes. The *Procurement Directive for Goods and Services* specifies that services valued at over $100,000 require an open competition; services valued between $25,000 and $100,000 require ministries to obtain three vendor submissions, bids, or proposals; and for services valued at less than $25,000, ministries may set their own competitive procurement processes, such as the solicitation of quotes from several vendors, to achieve value for money.

We reviewed the acquisition process at five ministries and found that, regardless of the amount, no competitive process was used for the engagement of temporary help services. Almost 15% of the temporary help service arrangements resulted in payments of more than $100,000, and all were undertaken without open competition. Another 40% of the arrangements that we reviewed cost more than $25,000 but were done without vendor submissions, bids, or proposals. In many of the engagements we reviewed, costs were expected to exceed the $25,000 and $100,000 competition thresholds even before the assignments were awarded. The assignments under $25,000 were sole-sourced without receiving quotes from other vendors. Overall, over the past five years, this could have amounted to tens or even hundreds of millions of dollars being awarded without any competitive processes in place. Consequently, there is no assurance that temporary help services were acquired at the best price or that ministries achieved value for money. For example, one fee-for-service assignment involved consultants hired without competition at daily rates of $990, $550, and $470, to act as project lead, project manager, and data co-ordinator, respectively. The total cost of the assignment was $432,000, well beyond the $100,000 threshold for a mandatory open competition.

By definition, temporary help assignments are supposed to be short-term in nature. However, we found that many were multi-year engagements that should have been subject to a competitive tendering process. Disclosures by one ministry under the union grievance process indicated that 44% of temporary help assignments either were ongoing or had unknown end dates.

Contracting

The *Procurement Directive for Goods and Services* requires that the ministry and the vendor sign a written contract formally defining the responsibilities of both parties before the supply of the goods and services commences.

We noted that for almost all of the temporary help service arrangements we tested, there were no signed contracts. Ministry staff did not request signed contracts or written agreements from temporary help agencies. Agencies occasionally sent a letter confirming the name of the individual, the start date, and the rate charged. However, there was generally no documentation outlining the nature of the assignment, the expected duration, or other details such as controls over rate changes.

Figure 3: Comparison of Temporary Help Agency Hourly Rates

Source of data: Audited ministries

Job Classification	Minimum Rate ($)	Maximum Rate ($)	$ Difference	% Difference
office and administrative assistant - class 8	17.75	32.56	14.81	83
office and administrative assistant - class 9	20.18	39.00	18.82	93
systems officer - class 2	24.55	62.07	37.52	153
systems officer - class 4	24.55	44.83	20.28	83

Furthermore, we noted that the invoices for some vendors outlined a disclaimer of responsibility and an apparent assumption of liability by the ministry. The *Procurement Directive for Goods and Services* states that ministries must consult with legal counsel regarding procurement documents to help ensure that the government's interests are protected.

Comparison of Temporary Help Services Costs

We attempted to determine whether the rates charged for temporary services in our sample were reasonable by comparing the rates for similar services charged by different agencies. We noted significant differences between agency rates. Ministries might have obtained similar services at a better price had they compared rates among suppliers. A sample of those differences is contained in Figure 3.

We also compared the rates paid for temporary help staff from outside agencies with the salaries and benefits that would have been paid to government employees, and found that overall, temporary help was more expensive. Some temporary-agency staff that we reviewed were paid considerably more than comparable government employees. For example, one temporary help employee was paid $125 per hour when a comparable government employee would earn only $60 per hour, including benefits.

Potential Conflicts of Interest

The *Procurement Directive for Goods and Services* requires ministries to include provisions in their procurement documentation that define potential conflicts of interest, and require prospective vendors to declare any actual or potential conflicts. Since the ministries we tested generally did not require vendors to submit written proposals or sign contracts, the ministries could not provide any evidence that the vendors they engaged to provide services were not in a conflict of interest.

We noted that during the 2003/04 fiscal year, one vendor was paid $10.5 million, including almost $4 million from the former Management Board Secretariat. A corporate search revealed that a former employee in the human resources department of the Secretariat was the president and director of this agency. Many temporary help staff from this vendor that we selected for review were paid more than comparable government employees—in some cases, substantially more. Another agency collected almost $700,000 from the Ministry of Health and Long-Term Care during the 2003/04 fiscal year. We were informed that a former employee of this ministry was the president and director of this agency. In both cases, the ministries that engaged these two agencies said that they assumed that the former employees owned the businesses, but neither agency was asked to supply any details to verify that there were no perceived or actual conflicts.

There is a risk that doing significant business with entities run by former government employees, especially those selected without a competitive process, can create a perception of unfair advantage and possible conflict of interest. Currently, none of the ministries we tested have safeguards in place, such as signed written contracts or annual declarations, to guard against such perceived or actual conflicts of interest.

RECOMMENDATION

To ensure that temporary help services are acquired in accordance with established government procurement policies and at the best price, the Ministry of Government Services should work with all government ministries to ensure that:

- the competitive selection requirements for the procurement of goods and services are adhered to and, where required, an open, fair, and transparent process is followed;
- appropriate standard contracts or supporting documentation is in place for all temporary help arrangements to define the rights and responsibilities of the ministry and the vendor, the nature of the assignment, the expected duration, and the cost; and
- the procurement procedures that were designed to identify and deal with potential conflict-of-interest situations are complied with.

MINISTRY RESPONSE

The Ministry agrees with the recommendation.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS human resources (HR) and procurement directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

On September 2, 2005, the Ministry provided instructions to ministries to ensure that they are in compliance with the existing *Procurement Directive for Goods and Services* when acquiring temporary help services. In order to support ministries in the procurement of temporary help services, the Ministry is implementing a set of interim management controls, which includes clarifying current policies regarding the appropriate use of temporary help services. In October 2005, the Ministry is launching a tool kit to assist ministries in the procurement process for all existing and future engagements. As well, all ministries will commence a review of existing temporary help services in order to ensure compliance with existing procurement and HR policies and practices.

The tool kit helps ensure that:

- ministries conduct, in accordance with the procurement policy framework, an appropriate competitive process to acquire temporary help services;
- all temporary help services are governed by a written contractual agreement, including the appropriate conflict-of-interest provisions; and
- managers are well supported in their policy compliance efforts by being provided with tools/templates on methods and procedures to be used in acquiring and managing temporary help services.

The Ministry is also developing an overall procurement strategy for temporary help services and will be conducting an open, competitive procurement process to establish a government-wide, centrally managed vendor-of-record (VOR) arrangement for temporary help services. This VOR arrangement will ensure that ministries obtain competent, qualified, and skilled temporary help services at the best price. It is expected that the arrangement will be in place by winter 2006. In the meantime, ministries will be required to adhere to the interim controls and comply with existing procurement and HR practices to ensure that the best price is obtained for the taxpayer. All ministries will be required to use this VOR arrangement, which ensures that vendors of temporary help services doing business with the government have a written contractual agreement, including the nature of the assignment, the expected duration, cost, and standard provisions that are in all government contracts to prevent conflict of interest.

As part of the implementation of the VOR arrangement, the Ministry is undertaking a comprehensive education initiative to ensure that managers across all ministries are aware of the procurement requirements for temporary help services. The Ministry is also working with Internal Audit to seek its assistance to assess whether ministries have put in place controls and other tools to ensure that they are compliant with both procurement and temporary help policies.

Use of Former Government Employees

At each of the five ministries tested, we noted that former government employees had been hired back through temporary employment agencies. In total, 20% of temporary agency staff tested were former government employees, and half of those were retirees who were receiving a government pension. Ministry staff informed us that they prefer to use former government employees because they require less training and are familiar with government processes.

However, the *Public Service Pension Act* and the *Ontario Public Service Employees' Union Pension Act* stipulate that any former member of the Ontario Public Service receiving a pension who, in the opinion of the pension board, is re-employed or engaged in any capacity by the government shall have his or her pension reduced. Engagement by the government could include working for third-party corporations if the pension board determined that the substance of the arrangement was in effect the re-employment of the individual.

The pension reduction limits the retiree's combined incomes from pension and re-employment to the amount he or she was making just prior to retiring as a public servant. We were informed that these requirements exist to prevent individuals from receiving a full pension and a government paycheque at the same time. The pension boards informed us that they rely on ministries to notify them if pensioners return to work. We understand the practical difficulties a central government ministry would have in collecting such information from government-wide sources. Nevertheless, the *Pension Benefits Act*, which applies to all Ontario pension plans, requires that the employer provide any information necessary for the purposes of complying with the terms of the pension plan.

We estimated that 80% of the former employees in our sample who had returned as temporary help would be subject to the pension reduction. However, when we followed up on two-thirds of them, we found that neither the responsible ministries nor the former employees had reported temporary help earnings to the pension board.

RECOMMENDATION

To help ensure compliance with pension legislation intended to prevent former employees from

simultaneously receiving a full pension and employment income from the government, the Ministry of Government Services should assess the feasibility of developing government-wide procedures to obtain and report to the relevant pension boards information on former employees who return to work for the government.

MINISTRY RESPONSE

The Ministry takes the need for compliance with pension legislation seriously and works closely with the Ontario Pension Board and the OPSEU Pension Trust to ensure that we are meeting our obligations as sponsor of the pension plans and as employer.

Section 26 of the Public Service Pension Plan (a schedule to the *Public Service Pension Act*) provides the basis for our responsibilities as employer when re-employing a pensioner member of the Public Service Pension Plan. Similarly, Article 13 of the OPSEU Pension Plan provides guidance vis-à-vis members of the OPSEU plan.

These provisions are intended to limit the earnings of a member who is receiving a pension or limit individual members from receiving a pension while being employed or engaged by an employer who contributes to the plans. The practice of the Ontario Pension Board and the OPSEU Pension Trust has been to require individual plan members to report a situation of re-employment or re-engagement. With respect to the employer reporting individual members to the pension plans, privacy concerns must be taken into consideration when contemplating the collection and/or provision of information to third parties such as the pension boards. In addition, every effort is made by the pension boards to inform retirees of their responsibilities with respect to re-employment.

The Ministry will continue to work with the Ontario Pension Board and the OPSEU Pension Trust to identify information needs. The Ministry will work with the Ontario Pension Board and the OPSEU Pension Trust to determine the feasibility of their developing procedures regarding the collection and reporting of relevant information. Privacy legislation and operational requirements will be considered in all decisions.

Temporary Employees Acquired with Transfer-payment Funds

Secondments are the transfer of staff from ministries or broader public-sector organizations to temporary assignments with another government ministry or organization. The secondment of staff from other organizations can provide government ministries with needed expertise and policy advice. We found that more than 200 temporary employees were secondments from outside entities, such as hospitals and universities, that receive transfer-payment funding from the province. The Ministry of Health and Long-Term Care engaged two-thirds of these individuals.

We tested a sample of secondments at the Ministry of Health and Long-Term Care from organizations receiving transfer-payment grants and found that 67% of the individuals tested had not been employed by these organizations, which were primarily hospitals, prior to their secondments. Often the Ministry would recruit an individual, request that the transfer-payment organization employ the individual, and increase the transfer-payment funding to cover the cost. In some cases, the agreements with the entities clearly stated that individuals were being hired by the outside organization solely for the purpose of facilitating secondments to the Ministry. As well, in most cases the related salary and benefit costs were recorded as transfer-payment grants for the operation of hospitals, whereas most of these individuals were working as ministry staff in various other program areas throughout the Ministry.

While these other program areas were generally under the same vote and item as hospital grants and therefore were technically in compliance with the legislative spending authority under the *Supply Act*, recording these expenditures as hospital operating grants did not meet Public Accounts reporting requirements that expenditures be recorded to the appropriate program and salary and benefits expenditure classifications. We also found that secondments were often not temporary: 10% of the individuals tested had been with the Ministry for more than five years, and two of them for 10 or more years. Furthermore, we found that approximately half of the seconded employees we reviewed were being paid more than government staff performing similar duties. For example, one individual was being paid $315,000 annually, compared to a maximum of $160,000 for an equivalent government employee. In addition, we found instances of individuals who earned over $100,000 whose salaries were not disclosed publicly as required by the *Public Sector Salary Disclosure Act, 1996*.

An internal audit of one program in 2003 raised concerns regarding such secondment arrangements and recommended that the Ministry of Health and Long-Term Care fill the positions with regular permanent employees. In response to the audit report, the Ministry indicated that it would make these positions permanent, subject to the availability of salary dollars in its budget. Since that time, however, the overall number of secondments ministry-wide has increased, from approximately 100 in 2003 to 150 in 2004.

RECOMMENDATION

To ensure that ministry staff are employed and accounted for in accordance with the spirit and intent of government and Public Accounts financial reporting policies, the Ministry of Government Services should work with senior ministry managers to develop specific policies and procedures with respect to secondments from transfer-payment organizations.

MINISTRIES' RESPONSES

Ministry of Government Services

The Ministry will work with the appropriate ministries to review existing transfer-payment secondment policies and procedures and make recommendations on improvements where necessary.

Ministry of Health and Long-Term Care (MOHLTC)

Health care in Ontario and Canada has evolved significantly over time. In particular, advancing health technologies, increasingly sophisticated diseases, and health human resources shortages are three high-demand specialized issues. The critical nature of these issues often requires immediate response and attention.

It is no longer accurate to see a sharp division between MOHLTC and health-care providers, with MOHLTC developing policy and the health-care providers acting in accordance with ministry policy. A new relationship between MOHLTC and health-care providers has evolved, whereby a strong partnership has benefited both policy development and health-care delivery. These benefits have been achieved by the movement of staff between the partners through secondment arrangements. These secondments have strengthened both policy development and the implementation of key initiatives to improve the operations of health-care providers.

It is MOHLTC's position that all the funding in this vote has been spent to strengthen and improve the health-care system. However, in reviewing the accounting for these individuals as it relates to the Public Accounts, it was noted that several charges had been made to the wrong account in error. An adjusting entry will be made in this fiscal year for those charges that were made to other accounts to ensure compliance with the reporting requirements. These are not of a material nature.

MOHLTC will:

- establish interim accountability measures to centralize approval processes and reduce the number of transfer arrangements;
- immediately review all existing transfer-payment arrangements to ensure that secondments from transfer-payment organizations are properly accounted for;
- disclose transfer-payment partners' salaries, as required; and
- adjust account reporting as required and implement controls to ensure consistent reporting in the future.

MANAGING THE USE OF TEMPORARY HELP

The *Procurement Directive for Goods and Services* states that all ministries are responsible for establishing appropriate organizational structures, systems, policies, processes, and procedures to enable the responsible and effective management of the procurement of goods and services. The directive also states that vendor performance must be managed and documented, and any performance issues must be resolved.

Managing Temporary Help Services

As would be expected, temporary help who did not meet performance standards were sent back to their agencies and replaced. However, performance assessments were not prepared for temporary help agencies or most of the employees they assigned to government ministries. The *Procurement Directive for Goods and Services* requires vendor performance to be assessed at least annually. A performance appraisal of the temporary help agency and its employees would facilitate the assessment of the quality of work and suitability of the agency or employees of that agency for future work.

We noted that one ministry, Community and Social Services, required temporary help employees to sign the same oath of office and secrecy required of all government employees. However, confidentiality declarations were made by only half the temporary staff tested at the other four ministries. Temporary employees often have access to highly sensitive personal and government information. Since January 2005, the Attorney General has required all ministry personnel, whether permanent or temporary, to undergo an extensive background check. Subsequently, three temporary help employees who failed the checks were dismissed.

Payments to Temporary Help Agencies

Most of the payments that we selected for testing consisted of invoices and timesheets completed by the temporary help employee and signed by ministry staff as verification of the hours worked. However, as noted previously, in almost all of the temporary assignments we reviewed, no contract or purchase order was in place outlining the nature of the assignment, the expected duration, and the cost. Some of our specific concerns were as follows:

- The *Procurement Directive for Goods and Services* states that contract prices must not change when vendor costs increase unless the ministry has changed the basic terms and conditions of the contract. The ministry must give approval in writing before prices are altered. However, we noted instances where rates changed during the term of the temporary help assignment. In some cases, the rates changed because the temporary employee's responsibilities changed. But in most cases, there was no change in the nature of the services provided, and there was no evidence that the ministries had approved the rate changes in advance.

- One temporary help employee was paid almost $130,000 to work with municipalities to help them access a provincial computer system. However, payments were made without written confirmation from the municipalities that the hours had been worked and the invoiced services had been provided.
- We noted many errors in recording consulting services as temporary help, and many other cases where temporary help was recorded as either consulting services or transfer payments. Consequently, any decision-making based on this information for ministry or government-wide management and control purposes may be flawed.

RECOMMENDATION

In order to ensure the responsible and effective management of temporary help services, the Ministry of Government Services should work with senior ministry staff to implement procedures to ensure that:

- the performance of temporary help agencies and their employees is assessed periodically and, as required, at least annually;
- all individuals working for the government sign the required oath of confidentiality and, for particularly sensitive functions, more extensive background checks are performed;
- rates charged and services provided by suppliers of temporary help services are matched against purchase orders and contracts prior to payment; and
- the cost of temporary help services is recorded accurately in the accounting records.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS human resources (HR) and procurement directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

The previously mentioned tool kit will provide clear direction to ministries regarding the documentation of performance of vendors.

The government-wide vendor-of-record (VOR) arrangement will include clear directions to ministries on how to use the arrangement, including the requirement for additional competition when the planned work is estimated to be valued at $25,000 or more. As well, the VOR arrangement will require that all temporary help agency staff be pre-assessed on competencies, qualifications, and skills, and that all requisite background checks, confidentiality requirements, and security checks be completed in accordance with government policy. All vendors will be required under the master contract with the Ministry to ensure that they are in compliance with all legal and policy confidentiality requirements.

The Ministry has improved the controls of the payment process through full implementation of an enterprise-wide financial control system and training on the associated payment process verification controls. Proper accounting and documentation procedures required to process temporary help services expenditures have been communicated and will be monitored annually for compliance.

GOVERNMENT-WIDE TEMPORARY HELP SERVICES POLICIES

Assessing Alternatives to Temporary Help

The Ministry of Government Services is responsible for co-ordinating government-wide initiatives to achieve improvements in the planning, acquisition, and management of goods and services. Ministries are required to consider and document alternative ways to satisfy their needs, and select the most appropriate option.

Alternatives for providing temporary help employees were last considered in 1996, when the government was contemplating cancellation of—and ultimately cancelled—its in-house pool of temporary staff, managed by the former Management Board Secretariat and called GO-Temp. Options considered at that time included continuing with GO-Temp, allowing programs to hire temporary staff from temporary help agencies through normal procurement practices, or setting up vendor-of-record (VOR) arrangements in the Greater Toronto Area only.

The government chose the VOR option, a procurement arrangement based on a fair, open, transparent, and competitive process that authorizes qualified vendors to supply goods or services based on terms and conditions set out in the VOR agreement. Such a vendor list helps ministries achieve efficiencies because much of the work of identifying prospective suppliers and evaluating their rates and credentials is done at periodic intervals rather than every time a contract is tendered.

Beginning in 1997, the VOR process resulted in the selection of 20 vendors that would supply temporary help for 69 job classifications. However, this VOR agreement expired in 1999 and was not renewed. At the time of our audit, there was no VOR established, either government-wide or by individual ministries, for the acquisition of temporary help services.

The reasons given for the cancellation of GO-Temp were to realize cost savings, reduce the size of the government, and provide business opportunities to the private sector. At the time of our audit, and nine years after the GO-Temp alternative was cancelled, the government had not done any analysis to determine whether these objectives were met. In addition, since the 1996 review of GO-Temp services, neither the former Management Board Secretariat nor the ministries we reviewed had formally analyzed alternative options for staffing temporary assignments. Our research into other Canadian jurisdictions indicated that three jurisdictions in Canada use an in-house pool of temporary staff. The federal government and Manitoba restrict their in-house pool to clerical and administrative personnel, while Nova Scotia maintains a diversified pool of skilled staff. Given that it has been almost 10 years since temporary help staffing was last reviewed and $40 million to $50 million is being spent annually, an analysis of the cost effectiveness of the current approach may be warranted.

RECOMMENDATION

To ensure the best value for the money expended, the Ministry of Government Services should conduct a formal assessment of the various alternatives for staffing short-term temporary assignments, and periodically evaluate the process selected to determine if the expected benefits and/or cost savings are being realized.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

A major component of the Ministry's mandate is the renewal and revitalization of human resources in the Ontario Public Service (OPS). From this perspective, the work was begun in 2004 by the Centre for Leadership and Human Resource Management. The Ministry is developing a strategy to review human resources (HR) policies and practices to ensure that workforce planning in the OPS reflects modern HR practices.

As part of our ongoing review of the vendor-of-record (VOR) arrangement, its effectiveness and usage will be monitored. As well, an analysis of the VOR arrangement will be undertaken to identify future improvements that can be made to the approach in order to enhance effectiveness, efficiency, and the identification of additional value-for-money considerations.

Workforce Planning

The Ministry of Government Services is responsible for monitoring and assessing the effectiveness of human resources management policies that apply across the Ontario Public Service. As of March 31, 2005, the provincial government employed 65,000 public servants hired under the authority of the *Public Service Act*. The government supplements its workforce with, in addition to public servants, people from temporary help agencies, fee-for-service staff, external consultants, transfer-payment-agency employees, and others. However, the Ministry could not provide an estimate of the number of such people engaged to perform work for the government. In addition, although the Ministry could not attest to the accuracy or completeness of the information it provided to us, we estimate that there were roughly 4,400 people engaged to perform work for the government who were not public servants.

Given the large number of such employees in the government, staffing decisions involving this group should be integrated into overall staff management plans. We reviewed the latest available human resources management plans for all government ministries and noted that they did not integrate non-government employees into their ministry staff management plans.

In August 2003, a government-wide hiring freeze was announced as part of an $800-million expenditure reduction plan. In December 2004, the hiring freeze was replaced by permanent hiring controls. However, the substantial use of temporary help workers may distort overall staffing numbers and defeat the purpose of hiring controls, which is to reduce expenditures.

In addition, while the Ministry of Government Services is required to track the actual number of public servants, it does not have reliable information on the number of approved staff and resultant vacancies. Without such information, it is not possible to determine if ministries are over or under their approved staff complement. Without reliable data on approved ministry staffing or the number of temporary workers, it is difficult to make informed staffing decisions, especially for the government as a whole.

RECOMMENDATION

To ensure effective monitoring and control of the government workforce, the Ministry of Government Services should:

- include non-government employees in its workforce plans and policies; and
- track the approved versus actual staff complement for each ministry.

MINISTRY RESPONSE

The Ministry agrees with the importance of effective workforce planning and having processes in place that will support this goal. In fact, continually improving workforce planning is a priority in the Ontario Public Service (OPS).

To this end, the government has converted 590 positions that were previously filled by contracted workers into full-time-equivalent (FTE) positions. The OPS is a large, complex organization. Alternative workforce arrangements are needed to deliver our mandate, including the need to bring in temporary help and/or specialized skills. The $43 million spent on temporary services during the 2003/04 fiscal year constitutes approximately 1% of overall salary costs for the OPS.

As well, improved workforce planning in the last few years has assisted in reducing the OPS's reliance on temporary help and fee-for-service consultants. Over the past three years, expenditures on temporary help services have declined 24%, from $52.4 million in the 2002/03 fiscal year to $40 million in 2004/05. We expect this trend to continue.

In December 2004, the government instituted permanent hiring controls to ensure that appropriate accountability is in place for staffing activities, fiscal responsibility is maintained, and the size of the OPS is appropriate given fiscal realities and the delivery of priority services. The controls included the introduction of an FTE limit for each ministry that is approved through the annual results-based planning process. The OPS has further demonstrated effective workforce planning through our business planning process, whereby ministries can seek approvals to convert budget from fee-for-service contractors into FTEs, given appropriate business rationale. In addition, our most recent collective agreement with our largest bargaining agent has a provision both to examine what the appropriate classified/unclassified staff balance should be and to reduce, year over year, the reliance on our unclassified workforce. These actions demonstrate our commitment to ensuring an appropriate workforce balance taking into account business needs, collective agreement provisions, and emerging priorities.

Chapter 4

Follow-up of Recommendations in the *2003 Annual Report*

It is our practice to make specific recommendations in our value-for-money (VFM) audit reports and ask ministries and agencies to provide a written response to each recommendation, which we include when we publish these audit reports in Chapter 3 of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken by ministries and agencies with respect to our recommendations.

Chapter 4 provides some background on the value-for-money audits reported on in Chapter 3 of our *2003 Annual Report* and describes the current status of action that has been taken to address our recommendations since that time as reported by management. Our follow-up work consists primarily of inquiries and discussions with management and review of selected supporting documentation. This is not an audit, and accordingly, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The corrective actions taken or planned will be more fully examined and reported on in future audits and may impact our assessment of when future audits should be conducted.

Chapter 4

Section

4.01

Ministry of the Attorney General

Court Services

Follow-up to VFM Section 3.01, *2003 Annual Report*

Background

The Court Services Division (Division) of the Ministry of the Attorney General supports the operations of the court system through a network of court facilities located in 181 communities across the province and approximately 3,500 court support staff. Its functions include providing administrative and support services to the Judiciary, preparing enforcement documentation, maintaining court records, and collecting fines.

The Division's expenditures for the 2004/05 fiscal year were $340 million ($302 million in 2002/03): $130 million ($107 million in 2002/03) was spent on operating the offices of the Judiciary and on salaries and benefits for approximately 690 full- and part-time provincially appointed judges, and $210 million ($195 million in 2002/03) was spent on administrative and court staffing costs and other expenses required to support the operations of courts. In addition, the Ministry spent $4 million ($35 million in 2002/03) on capital projects to modernize and improve court buildings.

In our 1997 audit of what was then the Courts Administration Program, we noted that the successful implementation of a number of ongoing initiatives was needed to address the serious backlog of cases and deficiencies in the management of program resources. However, we concluded in our 2003 audit that little progress had been made since that time. For example:

- The effective administration of the courts was hampered by the lack of a clear division of authority and responsibility between the Ministry and the Judiciary in the management of court services.
- Efforts to reduce backlogs had not been effective.
- There had been little improvement to the courts' antiquated computer and information systems.
- The lack of ministry effort to collect millions of dollars in outstanding fines weakened the credibility of the justice system.

Other concerns noted during our 2003 audit included:

- Controls over the planning, contractor selection, and project management for capital projects were inadequate.
- Numerous significant deficiencies and inconsistencies in the level of security at courthouses across the province were noted.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

While the Ministry has made progress in implementing some of our recommendations, on several others, such as reducing the backlog in the court system, only limited progress has been made. The current status of action taken on each of our recommendations is as follows.

ADMINISTRATIVE STRUCTURE OF THE COURTS

Recommendation

To help ensure that the justice system functions effectively and to improve the stewardship of funds provided to the courts, the Ministry and Judiciary should improve their administrative and management procedures by establishing:

- *a process of greater co-operation in decision-making that addresses long-standing concerns;*
- *a better structure of courts administration with greater accountability for achieving desired results such as reducing case backlogs.*

Current Status

The Ministry indicated that it has continued to work with the Judiciary to build good relationships at all levels and to encourage joint management of, and decision-making about, existing institutional challenges and ongoing operational issues. For example, the Ministry informed us that representatives of each Chief Justice participate on senior management committees within the Division and on divisional planning and policy meetings.

Co-operation between the Division and the Judiciary also occurred in establishing the Division's five-year plan on business goals and service standards, which will support greater accountability for the Division's delivery of court administrative services. The plan has been updated for the 2004/05 fiscal year, and the Ministry expects that performance measures for all key service standards will be established by the end of 2005/06.

In December 2004, a Memorandum of Understanding (MOU) was signed between the Minister and the Chief Justice of the Ontario Court of Justice that renewed the financial and administrative authorities and responsibilities of both parties. No similar MOUs have been established with the chief justices of the Ontario Court of Appeal and the Superior Court of Justice.

However, the Ministry has not made any significant changes to the structure of courts administration to achieve greater accountability for desired results.

CASE BACKLOGS

Recommendation

The Ministry should work with the Judiciary and other stakeholders to develop more successful solutions for eliminating backlogs, including:

- *creating better tools to identify the sources and specific reasons for delays so that action can be taken to address potential problems in a more timely manner;*
- *assessing the resource implications of actions taken and decisions reached by the different parties to a trial so that resources allocated to courts can handle the increased caseloads; and*
- *establishing realistic targets and timetables for eliminating backlogs.*

Current Status

The Ministry has put in place or continues to use a number of measures to address delays and backlogs, particularly in criminal cases and child protection proceedings. These measures include the implementation of the Justice Delay Reduction Initiative (JDRI) to make additional judicial, Crown, and court service resources available to 10 target sites with more significant criminal court delays. Administrative best practices designed to minimize administrative delay and increase operational efficiencies are also being piloted in the 10 JDRI sites. The Ministry is currently in the process of monitoring the effectiveness and the success of the JDRI sites. In addition, blitz courts—which involve mobile court resources, including judges, Crown attorneys, and support staff—also continued to be used to help courts with more serious backlogs.

The Ministry indicated that it has taken steps to improve the scope and accuracy of its reports and data on the various court activities that will allow for better assessing the reasons for court delays and how court resources are used. For example, changes to its Integrated Courts Offences Network (ICON) were made to capture information on the reasons for case postponements.

In June 2004, the Division implemented a new daily data extraction process for the Ontario Court of Justice criminal data to ensure that charges are not double-counted. Also, the Ministry has restated the data for the last five fiscal years to eliminate double-counted charges. As a result, the Ministry reports that the number of criminal charges pending greater than eight months in the Ontario Court of Justice in February 2002 was 89,000 (compared to 99,000 as previously reported).

The Ministry also advised us that it is committed to developing statistical tools for diagnosing the trends and systemic causes of delays and that its priority is reducing the backlog of cases that are at risk of being stayed due solely to systemic administrative delay. However, aside from this commitment of resources towards reducing backlogs relating to administrative issues, the Ministry was unable to provide us with any assessments it had made of the resource implications of actions taken and decisions reached by the different parties to a trial.

Despite the Ministry's continuing efforts to reduce backlogs of cases in the courts, the backlogs have remained constant over the last five years. While the Ministry has added resources to the court system, it continues to be unable to dispose of cases at a rate equal to or greater than the rate at which cases are received. Figure 1 illustrates the backlogs of pending charges in the Ontario Court of Justice, which handles the majority of criminal cases.

The Ministry could not estimate a timetable for eliminating backlogs, because many of the factors that contribute to delays (for example, the number and complexity of cases) are beyond its control.

INFORMATION SYSTEMS AND THE USE OF NEW TECHNOLOGIES

Recommendation

To help ensure the timely disposition of cases and improve efficiencies, the Ministry should take the necessary steps to upgrade the information technologies used in courts. In addition, the Ministry should establish a comprehensive plan for the timely implementation of new information technologies.

Current Status

The Ministry indicated that it is in the process of upgrading its Integrated Court Offences Network (ICON) system to improve workflow for support staff through enhanced access to and display of data. The Ministry is also in the process of implementing a new case management system for civil and family courts.

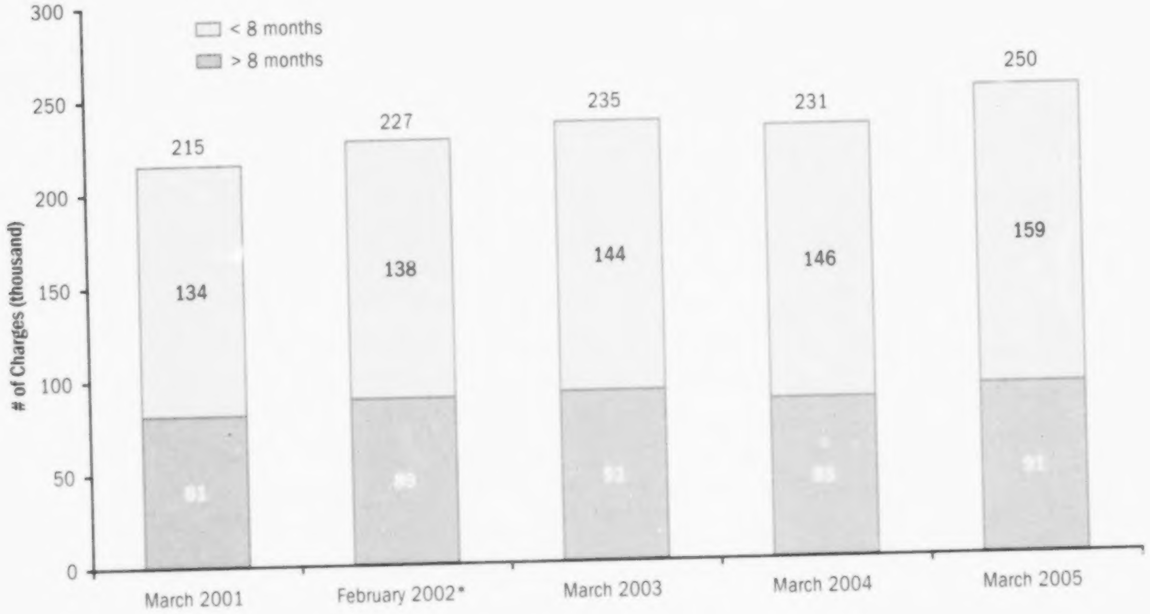
However, so far limited progress has been made by the Ministry in developing a comprehensive plan for the information system requirements for the courts' systems and in implementing additional information technologies in courts.

The Ministry's strategic long-term information technology plan had not been updated in recent years. The Ministry indicated that it would be in a better position to update the plan once operational, policy, legal, and technology priorities have been set out and agreed to for the remainder of this fiscal year and for future years.

According to the Ministry, the use of video technology, which allows an accused person who is in custody to appear in a criminal courtroom by video conferencing from a correctional institution or

Figure 1: Five-year Summary of Average Age of Criminal Charges Pending, Ontario Court of Justice

Source of data: Ministry of the Attorney General



*March 2002 data unavailable due to labour disruption.

police station, has grown approximately 50% since 2002 and is now being used in 30% of the appearances in adult and youth courts.

However, the Ministry has since discontinued two projects it assumed from the terminated Integrated Justice Project: digital audio recording to replace manually prepared courtroom transcripts; and accepting certain electronic forms filings from lawyers, primarily for civil and small claims court documents. The Ministry indicated that decisions to terminate these projects were made after long trials with both technologies determined that neither was considered cost effective or compatible with courts' future information technology needs.

FINANCIAL INFORMATION

Recommendation

To manage the cost of court operations effectively, the Ministry should:

- *identify and collect the information needed to assess whether court services are being provided economically and efficiently; and*
- *determine how information technology can best be utilized to facilitate this process.*

Current Status

The Ministry implemented the Integrated Financial Information System (IFIS) in October 2004. Standard monthly reports are generated to track monthly expenditures by region and branch for forecasting and reporting purposes. Cost codes in IFIS have been established to capture costs by practice areas, including by court types and judicial support costs. It is anticipated that full reporting of costs by practice areas will be available in the 2006/07 fiscal year. Any further analysis and comparisons of court services costs using IFIS is being considered for future years.

EXPENDITURE CONTROLS

Recommendation

The Ministry should ensure that adequate controls are in place over expenditures so that goods and services, including consultants, are acquired competitively and in compliance with Management Board of Cabinet directives.

Current Status

The Ministry indicated that it has provided training on financial management, procurement, reporting, and controllership topics to senior management to ensure that required procedures and controls are adequately communicated and to reinforce adherence to proper practices. We were advised that this training would be offered on an annual basis. According to the Ministry, the implementation of IFIS has also further enhanced controls over procurement and expenditure management, including requiring on-line requisitioning and approval based on delegations of authority.

CAPITAL PROJECTS

Recommendation

To ensure that courthouse construction and renovation projects are acquired competitively, on budget, and in accordance with Management Board of Cabinet policies, the Ministry, in conjunction with the Ontario Realty Corporation, should adequately plan and manage its capital projects. In addition, the Ministry should ensure that appropriate controls are in place so that contractors are only paid for completed work.

Current Status

The Ministry has made a number of improvements in controls over planning and project management for capital projects, including detailed project inventory data, new project control sheets, and more comprehensive financial tracking sheets. New reports provide current and multi-year information on major and minor capital projects, on lease information, and on identifying potential issues that require further direction.

The Ministry also indicated that it has established a closer working relationship with its mandatory service provider, the Ontario Realty Corporation (ORC), to ensure that courthouse projects are adequately planned and managed. An updated service-level agreement has been established between the Ministry and ORC. To improve communication, ORC has dedicated a small team of individuals to deal exclusively with the Ministry's facility requirements, and monthly meetings are held between the Ministry and ORC to discuss the status of projects and financial matters.

To further enhance the Ministry's strategic capital planning process, the Ministry, in partnership with ORC and the Ministry of Public Infrastructure Renewal, is developing a comprehensive asset management plan with data on base building conditions for all facilities within the Ministry's portfolio. The asset management plan, which is currently in the early stage of development, will be used as a planning tool to track facilities' current conditions and to plan for future capital investment needs, including both capital repair and facilities renewal requirements.

Training has been provided to all facility management staff on project tracking and controllership within the Ministry to help ensure that all required procedures, approvals, and policies related to capital expenditures are being adhered to.

COURT SECURITY

Recommendation

To ensure the safety of judges and persons involved in court proceedings, the Ministry should act quickly in co-operation with stakeholders to establish and maintain an appropriate level of security in all courthouses.

Current Status

We reported in our *2003 Annual Report* that the Division had initiated a court security project and that its January 2003 report indicated numerous gaps in security measures at courthouses surveyed. The Ministry informed us that attempts have been made on an ongoing basis to address security deficiencies identified in the January 2003 report. In February 2005, the Division also initiated an annual review of 23 key court security elements identified in the January 2003 report. Managers of Court Operations at each courthouse were to survey the current status of all elements of the court security checklist to attempt to ensure that due diligence was being exercised in relation to these key elements and report back to the Division's senior management.

In addition, court security is being assessed in developing the previously mentioned comprehensive asset management plan for all facilities in the Ministry's portfolio. Information gathered so far during this review continues to identify that security-related enhancements are needed for courthouses across the province. We were informed that the Ministry will set priorities for security-related enhancements as part of its multi-year capital plans for court facilities.

COLLECTION OF FINES

Recommendation

To better ensure that offenders pay their fines, the Ministry should:

- *forward all outstanding fines to the Collection Management Unit for collection on a timely basis;*
- *authorize more vigorous enforcement measures to pursue outstanding fines; and*
- *improve its system for tracking fines.*

Current Status

According to the Ministry, transfer of new outstanding fines to the Ministry of Government Services' Collection Management Unit (CMU) has occurred every three to four months since March 2003. The Ministry plans to increase the frequency of transfers to weekly on a pilot basis commencing in fall 2005. As of January 31, 2005, the Ministry prepared a reconciliation to identify the reasons for any outstanding fines that were not transferred to the CMU.

While no new enforcement measures have been implemented, the Ministry informed us that more aggressive efforts have been made to use existing enforcement options for collections. In addition, the Ministry now produces management reports every six months to monitor the collection rates for outstanding fines.

PERFORMANCE REPORTING

Recommendation

The Ministry should measure and report on its cost-effectiveness, efficiency, and outcomes in providing court services by:

- *working with the Judiciary to develop appropriate performance indicators and targets against which it can measure the achievement of its business goals and operational standards;*
- *ensuring its information systems gather and report the information needed for management to monitor performance on an ongoing basis; and*
- *reporting regularly to the public on its performance.*

Current Status

The Division has developed a five-year operational plan that sets out five business goals for the Division and 44 measurable service standards for the provision of court services. For example, business goals have been established for timely and efficient case processing and for efficient resource management. According to the Ministry, performance measures for all key service standards and commitments in its five-year plan are under development and are expected to be completed during the 2005/06 fiscal year. The five-year plan, including service standards, will be reviewed and updated annually in consultation with the Judiciary and court users. The goals, standards, and initiatives established in the five-year plan have been published in the Division's annual report, which is available to the public.

To better measure performance, new standard statistical reports have been developed to track the effectiveness and efficiency of criminal case processing using data from the ICON system. The Ministry also expects that its new case management system for civil and family courts will produce more enhanced performance reporting later in the 2005/06 fiscal year.

In addition, the Ministry has drafted a report providing highlights on court activity trends for all practice areas (small claims court, court of appeal, criminal, family, and civil proceedings). The report, which will be posted on the Ministry's Internet website during the current fiscal year once it has been approved, provides a trend analysis over the past five years and over the past 12-month period.

Chapter 4

Section 4.02

Ministry of Children and Youth Services

Children's Mental Health Services

Follow-up to VFM Section 3.02, *2003 Annual Report*

Background

The Children's Mental Health Services program funds transfer-payment agencies that provide services to children and/or the families of children who have social, emotional, or behavioural problems or psychiatric disorders. Under provisions of the *Child and Family Services Act*, approximately 250 community-based agencies are funded. The types of services offered include assessment, psychiatric therapy, counselling, crisis intervention, and skills training and education, as well as residential-based services (mental health services offered in a residential setting) to children who require more intensive assistance.

Children's Mental Health Services expenditures were $424.4 million in the 2004/05 fiscal year ($315 million in the 2002/03 fiscal year), a substantial increase from $213 million in the 1996/97 fiscal year. At the time of our 2003 audit, most of the increase had been spent on several new initiatives in the previous two years that in most cases provide intensive services to relatively few individuals with complex special needs.

We concluded that the Ministry was not adequately monitoring and assessing the quality of the services provided by the community-based agencies it was funding. As a result, the Ministry could not be assured that vulnerable children in need were receiving the care and assistance they required. More specifically, we found that the Ministry:

- had not established service quality standards and service evaluation criteria to help ministry staff monitor whether or not services were of an acceptable quality and represented value for money spent;
- had not established waiting-time standards for access to service that were reasonable and commensurate with individual children's needs, and was not monitoring the extent and impact of lengthy waiting times for service; and
- was not receiving or assessing information from agencies about the outcomes of the services they were providing.

We also found that the Ministry's funding decisions were not based on sufficiently detailed and relevant financial and operational information from agencies to ensure that the amounts approved were commensurate with the demand for, and level and quality of, services to be provided.

Our findings were of particular concern because many dealt with issues we had previously raised in our 1997 audit of the program. Although the Ministry agreed with the recommendations in that audit and agreed to implement the necessary corrective action, progress had been less than satisfactory.

We note that the Ministry again agreed with our recommendations in the 2003 audit and committed to taking the necessary corrective action.

Current Status of Recommendations

According to information received from the Ministry of Children and Youth Services, some progress has been made on most of the recommendations in our *2003 Annual Report*. However, on others, progress has been slower than anticipated. The current status of action taken on each of our recommendations is as follows.

Quality of Service

Recommendation

To ensure that agencies are aware of the Ministry's service-delivery expectations and to assist ministry staff in assessing whether services are of an acceptable quality and represent value for money spent, the Ministry should:

- *establish standards for acceptable service quality, as well as criteria for evaluating service quality, for all Children's Mental Health Services programs that it funds; and*
- *periodically evaluate the quality of services provided and work with its partner agencies to take corrective action where necessary.*

Current Status

Since the time of our *2003 Audit Report*, the government has established a new Ministry of Children and Youth Services that is responsible for the program.

The Ministry of Children and Youth Services has had discussions with various internal and external stakeholders with a view to developing a policy framework that will:

- identify and communicate vision, principles, and core functions; and
- be a foundation for the development of evidence-based standards and guidelines.

Public release of the policy framework is expected in early 2006.

In addition, a framework for monitoring and outcome analysis has been developed for the 113 new programs funded through the 2004/05 budget. The Ministry has developed and will be implementing customized data templates for these new programs.

Waiting Lists

Recommendation

In order that the necessary services are provided to children most in need on a timely basis and, when they are not, that the negative impact on children is lessened, the Ministry should:

- *establish standards for access to service that are reasonable and commensurate with individual children's needs; and*
- *assess the extent to which the standards are complied with and develop strategies to monitor and remedy situations where waiting times for service are too lengthy.*

Current Status

The Ministry is in the process of developing a policy framework for children and youth mental health services that will be a foundation for the development of evidence-based standards and guidelines, including issues of access to services. In that regard, the Ministry is working with its partners to collect reliable data on waiting times and service delivery by fall 2005.

In the interim, $25 million in new funding for children and youth mental health services (annualized to $38 million) was announced in the 2004/05 budget. Incremental funding allocations to 113 new programs and the expansion of 96 existing programs are expected to significantly reduce waiting times for services.

The Ministry is also working with the Hospital for Sick Children and Children's Mental Health Ontario to develop baseline data for current waiting times. The first report on such data has already been received. The intent is to use the baseline data to develop an annual report on children's mental health services in Ontario.

Performance Measurement

Recommendation

In order that children who are receiving mental health services are provided with the care and assistance they require, the Ministry should:

- *regularly obtain and assess information about the level and outcomes of the services provided by its community-based service-delivery agencies; and*
- *take the necessary steps to ensure that the existing quarterly reporting process is effective in providing reliable and useful information on both expenditures and service outputs.*

Current Status

The Ministry established a new Research and Outcome Measurement Branch in spring 2005. The Branch is in the process of developing outcome measures for children's mental health services. Once the outcome measures are completed, the Branch will also be responsible for monitoring them and for incorporating them into ministry-level reporting.

Agency Funding Requests and Approvals

Recommendation

In order to help ensure that agency funding is equitable and based on meeting the needs of children in every community, the Ministry should:

- *ensure that all agencies include sufficiently detailed, reliable, and relevant information in their program budget submissions;*
- *assess all requests for funding and ensure that the amounts approved are commensurate with the demand for and value of the services to be provided; and*
- *ensure that funding provided is spent for the purposes intended.*

Current Status

The Ministry is in the process of revising the service description schedules in its agency service contracts to make ministry expectations clearer. It is anticipated that the revised service description schedules will be included in the 2006/07 budget package. Once these schedules are revised, the Ministry will be in a better position to assess the reasonableness of funding requests and ensure that funding provided is being spent for the purposes intended.

Annual Program Expenditure Reconciliations

Recommendation

In order to strengthen its financial accountability process, the Ministry should ensure that Annual Program Expenditure Reconciliations (APERs) and audited financial statements contain sufficiently detailed and comparable information to allow for the detection of ineligible or inappropriate expenditure items and funding surpluses. Secondly, the Ministry should develop a more effective process for the review and approval of APERs.

Current Status

The 2004/05 Transfer Payment Budget Package sent to the agencies included a specific section containing APER policies for easier reference. In addition, to make the process more effective, in 2003/04 and 2004/05, regional office staff received training on the APER process. Included in the training material was a review of admissible and inadmissible expenditures.

Surplus Recovery

Recommendation

The Ministry should not enter into service agreements that span two fiscal years, since doing so circumvents Management Board Secretariat's requirement to identify and recover annual funding surpluses.

Current Status

In 2003/04 and 2004/05, the Ministry provided accrual accounting training to regional office staff. In addition, revised business practices are intended to ensure that funding provided is consistent with subsidies earned on an annual basis.

Based on the Ministry's Internal Audit Services' review of a sample of agreements, it was found that the agreement terms generally did not extend beyond the related fiscal year. In addition, the Ministry has emphasized to its staff through its training courses in 2003/04 and 2004/05 that annual surplus recoveries must be identified through the year-end reconciliation process.

Information Systems

Recommendation

The Ministry should ensure that its management information systems provide sufficiently detailed, relevant, and accurate information in order to help determine whether services provided by transfer-payment agencies are effective and represent value for money spent.

Current Status

To enhance the quality of Service Management Information System (SMIS) data, the Ministry implemented two types of exception and variance reports in the SMIS to assist in the validation of the data provided and entered into the system. These reports are available to the regional office staff for review and follow-up.

As of February 2005, the regional directors were required to complete an Enhanced Sign-off Protocol, which is a quarterly confirmation by each regional director that the information contained in the SMIS is complete, has been verified, and is reliable for use as corporate data.

The Ministry's long-term goal is to automate the receipt of data from service providers. The Ministry believes that such automation should significantly reduce the number of data entry errors.

Chapter 4

Section

4.03 Family Responsibility Office

Ministry of Community and Social Services

Follow-up to VFM Section 3.03, *2003 Annual Report*

Background

At the time of our 2003 audit, the Family Responsibility Office (Office), under the authority of the *Family Responsibility and Support Arrears Enforcement Act, 1996*, administered and enforced all court-ordered child and spousal support in Ontario, as well as court-ordered support from many other jurisdictions where the payers were resident in Ontario. The Office also enforced private separation agreements that are voluntarily registered with a court and filed with the Office. At March 31, 2005, the Office was administering approximately 186,350 family-support cases (approximately 180,600 in 2002/03).

During the 2004/05 fiscal year, the Office collected approximately $612.3 million from support payers (approximately $561 million in 2002/03) and forwarded a similar amount to support recipients. At the end of both March 31, 2005, and March 31, 2003, payment arrears totalled approximately $1.3 billion, which represents an 8% increase since our 1999 audit. We also noted that approximately 23,000 support recipients, whose cases were in arrears totalling over $200 million in 2003, were receiving provincial social assistance.

In 2003, we concluded that the Office did not have satisfactory systems and procedures in place for initiating contact and taking appropriate and timely enforcement action where payers were in arrears on their family-support obligations. It was our view that unless the Office took aggressive enforcement action, supported by effective case management and significantly improved information technology and communications systems, it was in grave danger of failing to meet its mandated responsibilities. Our specific findings included the following:

- Unlike most other provinces, which use a process of individual case management, Ontario did not assign each case to an individual caseworker. Therefore, no one individual had responsibility for or was held accountable for the administration of most cases.
- Since 1994, the number of caseworkers had declined by 20%, whereas the number of cases had increased from 126,000 to 180,000, with the result that the average number of cases per caseworker had steadily increased. For example, the average number of cases with outstanding work items assigned to senior caseworkers had been ranging from 600 to more than 1,300, averaging 890 cases per caseworker. By comparison,

the average caseloads in Quebec and Alberta were 400 and 335, respectively.

- The Office's practice of commencing enforcement action only after being notified by recipients of non-payment resulted in unreasonable delays in enforcement. On average, seven months elapsed between the time support fell into arrears and the time the Office initiated the first enforcement action.
- More than half the cases in arrears we reviewed had inordinately long gaps—often as long as two years—between enforcement actions.

Staff efforts to enforce support obligations and to provide responsive client services continued to be significantly hampered by the Office's inability to develop and implement the necessary improvements to its computer system. Although the Office indicated as far back as 1994 that the computer system must be replaced, the same computer system continued to be used even though it could not provide timely and appropriate information to facilitate client service or management of the program.

We also found that almost 90% of telephone calls made from outside the Greater Toronto Area to the Office's call centre were blocked and therefore not answered. As a result, clients had to call repeatedly in order to get through.

We made a number of recommendations for improvement and received commitments from the Office that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Family Responsibility Office and the Ministry of Community and Social Services, some progress has been made in implementing the recommendations we made in our *2003 Annual Report*. Further progress on several recommendations depends on the successful implementation of a new case management system to be completed by October 2006. The current status of action taken on each of our recommendations is as follows.

ENFORCING SUPPORT OBLIGATIONS AND RELATED MATTERS

Case Registration

Recommendation

To ensure that the Office fulfills its responsibilities to collect and forward support payments to families, it should ensure that it receives all the required information for registering and enforcing support obligations on a timely basis and promptly initiate follow-up action when it does not.

Current Status

In May 2005, the Ministry announced the selection of the successful vendor for the development and implementation of a new case management system referred to as the new Integrated Service Delivery Model (ISDM). This system is to be able to identify incomplete registrations and generate letters to follow up with the appropriate parties on any missing registration information.

Although the Office indicated in 2003 that it would review and redesign the filing package to help clients better understand what information was required, it had not yet done so at the time of our follow-up because it wanted to ensure compatibility with the new case management system.

The Office was also in the process of developing an enhanced three-phase outreach plan to increase the Office's visibility and to promote greater client service to payers and recipients. Specifically, under phase 1, the Office has developed and distributed new outreach materials that help explain the roles and responsibilities of recipients and payers. Phase 2 is to reach out to targeted stakeholder groups to explain in more detail how the Office works. Phase 3 is to build on phase 2 by maintaining ongoing stakeholder communications.

Document Scanning

Recommendation

In order for all necessary case documentation to be available on a timely basis for administering cases and for answering telephone inquiries, the Office should ensure that:

- *all necessary case documentation is scanned;*
- *scanned documents are of an acceptable quality; and*
- *system downtime is minimized.*

Current Status

The Office purchased new scanners in November 2003. We were advised that all documents that should be scanned are now scanned and that the scanned documents are of good quality even when the original document contains blue ink (we found in 2003 that the Office's scanning equipment could not scan blue ink). According to the Office, there is no longer any system downtime with the new scanners.

Case Management Model

Recommendation

To help ensure that effective and timely enforcement actions are taken, the Office should review its case management practices and consider assigning the responsibility for each case to an individual caseworker.

Current Status

The new Integrated Service Delivery Model (ISDM), whose upcoming implementation was announced in May 2005, is to operate as a case management tool. Under the ISDM, cases are to be assigned to individual members of case teams based on their experience level. This system is to also assign a "buddy backup" to each case-team member. ISDM technology is expected to be in place by October 2006.

Caseloads

Recommendation

To help improve the administration of family-support cases in a timely and effective manner, the Office should establish criteria and standards for manageable caseloads and staff accordingly to ensure that the standards are met.

Current Status

A recently announced service delivery system, which is to be in place by October 2006, has been designed to be able to streamline case management processes and to actively monitor caseloads.

The new system is also to have the ability to produce reports to facilitate caseload management (including, for example, reports on the number of cases per caseworker and the specific cases assigned to each caseworker, as well as various statistical analyses). As a result, management will be able to assess the adequacy of current staffing levels under the new, more streamlined case management process.

Bring-forward Notes

Recommendation

To help ensure that client inquiries and enforcement actions are dealt with appropriately, the Office should ensure that all caseworkers conduct the necessary follow-up work on a timely basis.

Current Status

We were advised that the Office's new service delivery system, to be in place by October 2006, will have the capability to create for individual caseworkers an automatic reminder to follow up on an action taken in a case—this "case action item" is similar to a bring-forward note but is automatically generated by the system rather than by the caseworker. The system is also to be capable of monitoring whether or not the case action items have been acted on and listing those items that are outstanding for longer than a specific time period. These capabilities should help ensure timely follow-up work.

Support Enforcement Action

Recommendation

To help ensure the effectiveness of its enforcement actions in collecting support arrears, the Office should:

- *identify accounts in arrears on a more timely basis and initiate contact with the defaulting payer as soon as possible;*
- *adhere to the established timetable for the prescribed enforcement steps in a timely manner; and*
- *ensure that supervisory staff monitor case files for compliance with the prescribed steps and established timetable and where necessary take corrective action.*

Current Status

Legislative amendments aimed at strengthening the Office's authority to enforce support orders and to find defaulting payers were introduced in the House through Bill 155 in December 2004. On June 13, 2005, this bill received royal assent as the *Family Responsibility and Support Arrears Enforcement Amendment Act, 2005*.

The province announced through the 2004 provincial budget that $40 million would be invested over the next four years to improve the ability of the Office to identify, track down, and collect support payments that are in arrears.

We were informed that in November 2004 the Office implemented an Arrears File Review project to reduce the $1.3 billion in arrears. This project involved a team of 40 additional temporary staff dedicated to reviewing cases with arrears over $50,000 and cases not yet assigned to a caseworker. At the beginning of the project, 38,828 cases representing about $640 million in arrears outstanding were selected for review. As of March 29, 2005, 12,291 of these cases had been reviewed, and 1,941 of those cases were closed for various reasons—such as, for example, terminated orders or the fact that no arrears were outstanding. Also, 7,925 enforcement actions were taken, which resulted in a total of $26 million being collected.

In addition to the above, the Office took two other initiatives: a credit-bureau initiative in January 2004 and a trace-and-locate initiative in February 2004.

Under the credit-bureau initiative, the Office mailed letters to support payers with payments in arrears to encourage them to enter into voluntary payment arrangements with the Office or have their arrears reported to a credit bureau. Between January 2004 and March 2005, the Office sent out about 87,000 letters to payers owing approximately $820 million. As a result of these letters, the Office received $112 million in payments.

The trace-and-locate initiative involves the investigation of the Office's returned mail in order to locate payers, update the Office database with the correct payer information, and take applicable enforcement actions. By March 31, 2005, about 32,500 pieces of returned mail had been reviewed, resulting in 16,600 payer addresses being updated.

Payment Processing

Recommendation

To ensure that internal controls are strengthened and that all support payments received are forwarded to the intended recipient on a timely basis, the Office should:

- *follow up on and resolve all items in both the identified and unidentified suspense accounts on a timely basis; and*
- *adequately document the basis on which initially unidentified receipts were identified and management approval of the release of such funds.*

Current Status

The Office advised us that many of the items in the identified suspense account relate to single payments that are required to be manually pro-rated and allocated to different related accounts, which is a time-consuming process. At the time of our follow-up, the Office had implemented an automated process that speeds up the allocation of identified suspense account items and should free up staff time to clear unidentified suspense account items on a more timely basis.

The Office also expected that the new service delivery model will better document the basis on which initially unidentified receipts were identified and management approval of the release of such funds.

Interest on Arrears

Recommendation

To help ensure compliance with support orders and to encourage prompt payment from payers, the Office should compute and charge interest on arrears for those cases where the court orders stipulate that interest is applicable.

Current Status

The *Family Responsibility and Support Arrears Enforcement Amendment Act, 2005*, which received royal assent on June 13, 2005, included an amendment that enables the Office to automatically calculate and collect interest on arrears based on a standard rate for all cases. The rate will be subject to revision either annually or semi-annually.

The Office expected that its new service delivery model, to be in place by October 2006, would be able to automatically calculate and record interest due on outstanding payments.

Customer Service

Recommendation

Since the call centre is the primary means whereby clients communicate with the Office, the Office should review its call-centre operations and take the steps necessary to ensure that all calls are answered or responded to within a reasonable period of time.

Current Status

The Office advised us that it implemented in September 2004 monthly "snapshot" reports that compare the number of calls handled, the number of calls abandoned, the average speed of answer, and the average waiting time for abandoned calls.

Based on an analysis of the results, which indicated that a low volume of calls were being received between 5 p.m. and 7 p.m., the call-centre hours were reduced in November 2004 to the peak calling hours of 8 a.m. to 5 p.m., Monday to Friday. This reduction in hours enabled more resources to be devoted to answering more calls and reducing wait times during the peak calling hours.

In addition, we were informed that calling staff resources were realigned so that customer service clerks, who answer general inquiries, increased their time spent at the call centre from 4.5 hours per day to 6 hours per day.

Call-centre Alternatives

Recommendation

To help alleviate the demand for information and services through the Office's call centre, the Office should consider expanding access to detailed account information and the range of services available through the automated telephone line and website.

Current Status

We were informed that the Office's automated telephone line was improved in 2004. Improvements included a new phone script and the ability for callers to skip those sections of the script that they already know. In addition, the Office now distributes Personal Identification Numbers (PINs) to recipients and to payers so that they can access their case-specific information on the phone. Approximately 151,250 PINs had been issued by April 30, 2005.

Website improvements have also been implemented that include a new easy-to-remember Internet address and on-line program forms. As well, a new section on "Employers and Income Sources" answers frequently asked questions, provides information on electronic payment options, and gives mailing addresses for payments and other correspondence.

Computer System

Recommendation

We urge that the process of implementing the needed computer support for the Office's operations be significantly accelerated.

Current Status

In May 2005, the Ministry announced the selection of the successful vendor to develop and implement the Office's service delivery system. The new system is expected to be in place in October 2006.

PERFORMANCE MEASUREMENT

Reporting Program Effectiveness

Recommendation

To help ensure that and be able to assess whether family-support obligations are effectively enforced and that areas in need of improvement are identified, the Office should measure and report on additional results indicators, such as:

- *the number of cases with significant arrears not assigned to a caseworker and therefore not actively enforced;*
- *the timeliness of enforcement actions taken on assigned accounts;*
- *the number of telephone calls to the call centre that were blocked and therefore not answered;*
- *the aging of support arrears and an assessment of their collectibility; and*
- *the nature and number of complaints received.*

Current Status

The current information system cannot:

- identify cases in arrears that are not assigned to caseworkers and therefore not actively enforced;
- track the timeliness of enforcement actions taken on accounts that have been assigned;
- monitor the number of blocked calls;
- age cases that are in support arrears; and
- track the nature and number of complaints received.

According to the Office, the new service delivery system should be able to address these concerns when it is implemented.

As well, the Office informed us that it continues to work with other enforcement jurisdictions in Canada on developing baseline data to identify performance measures and establish guidelines and standards.

Assessment of Client Satisfaction

Complaints

Recommendation

To help increase client satisfaction and the effectiveness of services provided, the Office should:

- *log complaints from all sources to ensure that all complaints are addressed; and*
- *categorize and analyze the complaints received from all sources to identify areas most in need of improvement.*

Current Status

We were informed that the Office fully implemented a document-management system called Correspondence Control Management Mercury on June 10, 2005. According to the Office, this system can track complaints, report accurately on issues that arise in correspondence, and identify trends in client and stakeholder correspondence. However, it will take several months of data input before the Office can fully utilize these capabilities.

Client Satisfaction Surveys

Recommendation

To aid in the assessment of both customer satisfaction and effectiveness of services provided, the Office should regularly conduct client satisfaction surveys that identify areas that are working well and those in need of improvement.

Current Status

The Office received Deputy Minister approval in mid-February 2005 to conduct the survey, and the selection of a market research consultant was finalized in July 2005. The Office anticipates that the survey will be conducted in late fall 2005.

Chapter 4

Section

4.04

Ministry of Consumer and Business Services

Policy and Consumer Protection Services Division

Follow-up to VFM Section 3.04, *2003 Annual Report*

Background

The mandate of the Policy and Consumer Protection Services Division (Division) of the Ministry of Consumer and Business Services is to oversee business and other practices in the Ontario marketplace. The Marketplace Standards and Services Branch, which accounts for approximately two-thirds of the Division's expenditures, administers various statutes relating to consumer protection and business licensing. Its activities include the registering and licensing of a number of industries, processing consumer complaints, inspecting businesses for compliance with consumer protection acts, and investigating alleged infractions.

Since 1997, the Ministry has also delegated the administration of several consumer and public safety statutes in such sectors as amusement devices, boilers, elevators, fuels, electricity, and new-home warranties to eight delegated authorities. The delegated authorities are not-for-profit corporations that carry out the day-to-day functions of ensuring public safety and consumer protection by regulating and monitoring business practices in their industry. Nevertheless, the Ministry retains overall responsibility for the outcomes of the delegated authorities' activities in protecting the consumers and the public. The Division's Sector Liaison Branch is responsible for overseeing the eight delegated authorities.

In the 2004/05 fiscal year, the Division had approximately 94 staff (100 staff in 2002/03) and operating expenditures of approximately $9 million (approximately $10 million in 2002/03).

In 2003, we found that the Marketplace Standards and Services Branch (Branch) did not deploy its inspection resources based either on an assessment of risk or on the number of complaints it received. For example, while the practices of debt collectors had been the number one source of complaints and inquiries received by the Branch, with a total of approximately 4,000 received in 2001/02, the Branch conducted fewer than 10 inspections of collection agencies. In contrast, although the Branch received only eight complaints about theatres and video retailers, the Branch devoted 95% of its inspection resources and conducted 1,600 inspections to check whether video retail stores were operating with a valid licence and were selling adult videos only with proper stickers indicating their ratings.

We also concluded that the Ministry had not been effectively monitoring cemeteries' trust accounts to ensure that deposits from sales of plots were sufficient to support the cost of caring for and maintaining the cemeteries. In addition, the outcomes of its regulatory activities were not being adequately captured by the Ministry's Management Information System.

With respect to the delegated authorities, we noted that:

- The Ministry had not ensured that data on the outcome of delegated authorities' activities, as reported by the authorities—such as the number of safety-related incidents and the number of serious injuries—were reliable.
- The Ministry had not assessed the sufficiency and appropriateness of the enforcement activities undertaken by the delegated authorities in response to identified violations.
- The Ministry was unable to obtain adequate information about the outcomes and activities of the Ontario New Home Warranty Program (now called the Tarion Warranty Corporation) to assess whether new homeowners were being properly protected.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Ministry of Consumer and Business Services, some progress has been made on implementing the recommendations in our *2003 Annual Report*. The current status of action taken on each of our recommendations is as follows.

MARKETPLACE STANDARDS AND SERVICES BRANCH

Following Up on Consumer Complaints

Recommendation

To adequately protect the public, the Ministry should allocate its inspection resources for monitoring various industries based on a systematic assessment of risk as well as on the number of complaints it receives about these industries.

As well, the Ministry should ensure that unscrupulous practitioners are removed from the marketplace on a timely basis to protect consumers and the public from potential losses and abuse.

Current Status

The Ministry had not yet performed an updated risk analysis, nor had it allocated its inspection resources based on the number of complaints it received. Nevertheless, as a temporary measure, the Ministry had followed a consultant's recommendation to arbitrarily allocate its proactive inspection resources equally among the debt recovery, cemetery, and theatres sections.

From January 2004 to March 2005, the Ministry employed the services of an investigator to review complaints against collection agencies in order to identify unscrupulous practitioners that should be considered for removal from the marketplace. The Ministry indicated that, as a result of this review, more timely administrative actions were taken to warn unscrupulous practitioners and revoke their licences. It took, on average, only several months—instead of the two or more years it was taking at the time of our audit—to revoke the licence of an unscrupulous practitioner. The Ministry advised us that starting August 2005, when its contract with the investigator was to expire, its Compliance and Consumer Services Bureau Section and its Investigations Office would assume the responsibilities for investigating outstanding charges and taking proposed actions against collection agencies.

Monitoring Cemeteries' Trust Accounts

Recommendation

To comply with legislative requirements relating to cemeteries in Ontario and to make sure that sufficient funds are available for the proper care and maintenance of cemeteries, the Ministry should ensure that:

- *cemetery registration records are complete and annual returns are filed by all cemetery owners within the required time frame; and*
- *ministry staff verify, on a timely basis, the balance of trust accounts established to care for and maintain cemeteries.*

Current status

Cemeteries are required to submit their annual reports on care and maintenance within three months after the end of their fiscal year and to submit audited statements if their trust fund accounts exceeded $500,000 within six months after the fiscal year end. As of May 2005, most cemeteries had submitted the required annual report for 2003, but almost 570 cemeteries, or 21%, had not, and these were being followed up on.

Of 119 cemeteries with trust fund accounts exceeding $500,000, 64, or 54%, had not submitted their audited statements for 2003 as required. The Ministry indicated that notifications or inspections orders had been issued to the owners of these cemeteries.

According to the Ministry, staff were utilizing the Ministry's tracking system to help verify trust account balances by matching and reconciling annual returns submitted by cemetery owners and those received from external trustees. The Ministry also informed us that its tracking system had been modified to reflect the status of trust account balances, and it was being used to generate a report on outstanding annual returns.

Measuring and Reporting on Effectiveness

Recommendation

To enhance management's ability to properly measure and report on its effectiveness in protecting consumers and public safety, the Ministry should:

- *use its management information system to capture and analyze the outcomes of its activities and thereby be in a position to improve and report on its effectiveness; and*
- *conduct proper consumer satisfaction surveys of both telephone and written complaints.*

Current Status

The Ministry advised us of two enhancements that had been made in recording inspection outcomes. First, a results field was added to the tracking system to capture action taken after inspection visits focusing on the non-regulatory/licensing statutes. Second, a follow-up field was added to the tracking system to monitor post-inspection action taken by the Division.

The Ministry had engaged a third party to conduct surveys of consumers calling the Ministry's Consumer Services Bureau. According to the Ministry, the surveys indicated that 97% of callers were satisfied with the services they received.

DELEGATED ADMINISTRATIVE AUTHORITIES

Technical Standards and Safety Authority

Recommendation

To better protect public safety the Ministry should improve its monitoring of delegated administrative authorities (delegated authorities) by:

- *ensuring the reliability of the outcomes that are reported by the delegated authorities; and*
- *monitoring the activities of the delegated authorities to ensure that inspections, investigations, enforcement measures, and other appropriate actions are taken on a timely basis and are*

sufficient to ensure the achievement of established safety outcomes.

Current Status

To ensure the reliability of outcomes reported, the Technical Standards and Safety Authority (TSSA) and the Electrical Safety Authority (ESA) engaged a third party to validate their safety data. The TSSA entered into a contract with its external auditor in January 2005 to provide validation of data included in the TSSA's State of Public Safety Report 2004, which was to be published in August 2005. The ESA entered into a contract with a consultant in January 2004 to provide validation of data included in its already published *Electrical Safety in Ontario—2003 Report (2003 Annual Safety Report)* (the ESA's 2004 Annual Safety Report was to be published in September 2005).

The Ministry indicated that, since our audit, it had implemented new ways of monitoring the activities of delegated authorities. These included enhanced performance reports for delegated authorities and a complaint-tracking system. The Ministry indicated that it has committed to reviewing the reports and providing analysis and feedback to the authorities.

Electrical Safety Authority

Recommendation

To help reduce electrical incidents involving serious injuries and the deaths of electricians, the Ministry and the Electrical Safety Authority should work with other stakeholders to develop consistent safety standards for the training and initial and ongoing licensing of electricians working in Ontario.

Current Status

Bill 70 amended Part VIII of the *Electricity Act, 1998* to establish a statutory framework for province-wide licensing of electrical contractors, master electricians, and electricians in the compulsory electrical trades to be administered by the Electrical Safety Authority. The Bill received royal assent in November 2004. At the time of our follow-up, regulations were under development and targeted to be completed in summer 2005.

Ontario Motor Vehicle Industry Council

Recommendation

To protect consumer interests with respect to the regulation of the motor vehicle industry in a more cost-effective manner, the Ministry should work with the Ontario Motor Vehicle Industry Council on ways to improve the effectiveness of consumer protection with respect to motor vehicle repairs.

Current Status

Prior to our follow-up, through an initiative called the Strategic Partnership on Auto Repair, the Ministry's Marketplace Standards and Services Branch had discussed the potential for co-ordinated inspection activity with the two ministries—Environment and Labour—involved in inspecting vehicle repair shops for their own purposes (for example, for compliance with the Clean Air program, workplace safety, and mechanic certification). The objectives of the proposed partnership were to share and conserve resources, reduce the regulatory burden on business, and focus on chronic violators. At the time of our follow-up, the Ministry indicated that it and the other ministries were in the process of addressing issues of information sharing. It was also consulting with the Ontario Motor Vehicle Industry Council on how to improve the effectiveness of motor vehicle repairs.

Ontario New Home Warranty Program

Recommendation

The Ministry should take action to ensure that better accountability mechanisms are in place to protect consumers buying new homes in Ontario.

Current Status

Subsequent to our 2003 audit, the name of the Ontario New Home Warranty Program changed to Tarion Warranty Corporation. In 2003, an accountability letter was signed between Tarion and the Ministry that establishes formal reporting requirements and outlines the roles and responsibilities of each party. In addition, the Ministry indicated that, through its negotiation efforts, Tarion bylaws were changed to allow four government appointees to serve on Tarion's board. As of March 2005, four ministerial appointees were on the 17-member board.

Governance and Accountability of Delegated Authorities

Recommendation

To better protect consumers and the public, the Ministry should strengthen its governance and accountability arrangements with delegated administrative authorities (delegated authorities) by:

- *establishing administrative agreements with the delegated authorities on a timely basis;*
- *having an adequate number of government, consumer, and public representatives on the boards of directors of the delegated authorities to achieve a fair balance of representation;*
- *ensuring that sufficient levels of resources are devoted to monitoring the performance of the delegated authorities; and*
- *ensuring that reporting and other performance requirements are complied with on a timely basis.*

Current Status

At the time of our follow-up, the Ministry had updated its administrative agreements with six of the eight delegated authorities with which it had already negotiated such agreements eight years ago. As for the remaining two delegated authorities:

- A letter of accountability pertaining to the Ontario New Home Warranty Program—now "Tarion"—had been signed by the Ministry that establishes formal reporting requirements and outlines the roles and responsibilities of each party.
- The *Funeral, Burial and Cremation Services Act, 2002*, which pertains to the Board of Funeral Services, received royal assent on December 13, 2002. However, the regulations under the Act, which are necessary to bring the Act into force, had not yet been finalized at the time of our follow-up. The Ministry indicated that it would work with the Board to establish an administrative agreement once the regulations are in place.

The Minister has legislated authority to appoint up to 50% of the members on the boards of directors of delegated authorities. In the past year, the Ministry adjusted the composition of the boards of both the Technical Standards and Safety Authority and Tarion to increase the number of ministerial appointees. As of March 2005, the percentage of ministerial appointees on the boards of the eight delegated authorities ranged from 22% to 38%. In addition, the Ministry was tracking the ministerial appointee process and the attendance of ministerial appointees at board meetings.

The Ministry's Sector Liaison Branch has been given the responsibility for monitoring the performance of delegated authorities. The Ministry informed us that it had reviewed the Branch's resources for this task and had hired additional staff. Also, in response to Internal Audit recommendations, the Ministry's Compliance and Consumer Services Bureau had assumed the responsibility of handling consumer inquiries and complaints relating to the delegated authorities. This change has enabled Sector Liason Branch staff to devote more resources to monitoring the performance of the delegated authorities. Consumers are referred to the Sector Liaison Branch only if dealing with the inquiry or complaint requires special technical and/or governance and accountability expertise.

The Ministry had developed a ministry-wide annual report tracking system to monitor the report tabling process from the time the draft report is received until the reports are tabled in the Legislature. The Ministry had also improved its tracking of delegated authorities' performance statistics to ensure timely quarterly reporting.

Chapter 4

Section

4.05

Ministry of Education

Curriculum Development and Implementation

Follow-up to VFM Section 3.05, *2003 Annual Report*

Background

The *Education Act* gives the Minister of Education broad authority over the "courses of study that shall be taught" to the province's 1.4 million elementary and 700,000 secondary students in its 4,000 elementary and 800 secondary schools.

Prior to 1996, school boards had considerable latitude regarding the curriculum that they taught. In 1996, the Ministry of Education undertook, for the first time, the development of a province-wide curriculum. The Ministry began introducing the new curriculum in September 1997 and completed its development work with the introduction of the grade 12 curriculum in September 2002. The Ministry estimated that the costs of developing and implementing the new curriculum between 1996 and January 31, 2003, were about $488 million.

We concluded that the process by which the Ministry developed the new curriculum was appropriate, and according to most of the educators we interviewed, it resulted in a good-quality product that was an improvement over what they had before.

However, the educators we interviewed expressed concerns regarding the way the curriculum was implemented. Their major concern was that the Ministry rushed the implementation, with the result that a new curriculum and changes in student assessment practices were introduced before appropriate training, textbooks, and other materials were readily available. This made the initial years of implementation extremely difficult for students and teachers.

Educators also expressed concerns about the suitability of the new curriculum for weaker students. Recent studies and test results had indicated that many students were still not succeeding under the new curriculum and that many students were entering secondary school without the educational foundation required to graduate.

We also concluded that the Ministry and the school boards we visited did not have sufficient and reliable information to, for example:

- measure and report on the extent to which students have learned the new curriculum in grades and subjects other than those that have been tested province-wide;
- measure the extent to which consistency in student assessment has been achieved among the province's schools; and
- identify and prioritize the problems underlying poor student achievement; develop viable improvement plans; and track and report results.

We made recommendations for improving curriculum implementation processes, and the Ministry committed to taking corrective action.

Current Status of Recommendations

Based on information obtained from the Ministry of Education, the Ministry has made progress on all of the recommendations we made in our *2003 Annual Report*, with significant progress being made on some. The current status of action taken on each of our recommendations is as follows.

IMPLEMENTATION OF THE CURRICULUM

Recommendation

To help ensure that future revisions to the curriculum are implemented more effectively, the Ministry should ensure that:

- *teachers receive appropriate training prior to implementation; and*
- *educational publishers have sufficient lead time to develop appropriate textbooks and classroom materials.*

To help improve the implementation of the current curriculum, the Ministry should work with school boards to ensure that teachers receive more specific implementation training, including training on the use of tools such as the course profiles and unit planner.

Current Status

The Ministry advised us that revisions to the curriculum have been and will continue to be made under the Sustaining Quality Curriculum Initiative, an ongoing cycle of curriculum review, to ensure that the curriculum remains current and relevant. For example, the curriculum documents for Social Studies, History, and Geography—grades 1 to 8, for Canadian and World Studies—grades 9 to 12, and for Mathematics—grades 1 to 10 were revised, approved, and released in 2004 and 2005.

The Ministry indicated that it has taken the following actions regarding our recommendation:

- Training support on curriculum revisions is being provided to teachers well in advance of mandatory implementation dates. For example, training sessions took place in June 2004 for the September 2005 implementation of revisions to the grades 1 to 8 Social Studies curriculum.
- Educational publishers are being provided with the lead time they need to develop textbooks and classroom materials for curriculum revisions through semi-annual meetings of the Trillium List Advisory Committee and information sessions on specific curriculum initiatives.
- School boards were given $7.7 million in 2004 to provide local school training to teachers on the electronic curriculum unit planner, student evaluation and assessment, the revised achievement charts, and the revised curriculum policy documents released in 2004 and in 2005. The boards had reported back to the Ministry on the use of the funds. The Ministry has reviewed the board reports and confirmed that the funds were used on the priority areas outlined above.

ADDRESSING THE NEEDS OF AT-RISK STUDENTS

Recommendation

To help ensure that the curriculum serves the needs of all students, the Ministry should:

- *develop policy guidance governing the promotion of at-risk students, including ways to increase participation in remedial programs such as summer school, to help ensure that all students acquire the knowledge, skills, and work habits required to succeed in subsequent grades and ultimately to obtain an Ontario Secondary School Diploma; and*
- *require boards to track the participation of at-risk students in remedial programs and to assess the*

effectiveness of the programs in improving student performance.

Current Status

The Ministry advised us that policy guidance has not yet been developed regarding the promotion of at-risk students or for increasing the participation of at-risk students in remedial programs. However, the Ministry indicated that addressing the learning requirements of students at risk of not succeeding continues to be a ministry priority. The Ministry also indicated that it has conducted research on the approaches to promoting at-risk students used in other jurisdictions and has reviewed relevant studies, the results of which are to be summarized in a research paper. The Ministry advised us that it has completed a series of consultations with representatives from the three provincial principals' associations. A survey was conducted to gather broader input, and the findings are under analysis. In addition, the Ministry is in the process of contracting with provincial principals' organizations to develop principals' resource materials to support promotional decisions and remediation practices for struggling students.

The Ministry advised us that tracking the participation of at-risk students in, and assessing the effectiveness of, remedial programs, is dependent on the further development of its information-management infrastructure. The introduction of the Ontario Education Number in September 2004 (a unique student identification number assigned by the Ministry to elementary and secondary students across the province to make it easier to keep reliable records on them) and the implementation of a new data collection system over the next two years are intended to:

- allow for reporting on student achievement at the classroom, school, board, and provincial levels; and
- greatly facilitate the collection and analysis of accurate and timely data about education in Ontario, including the education of at-risk students.

The Ministry also indicated that school boards are now required to track students who have been unsuccessful in the Ontario Secondary School Literacy Test, and therefore must complete the Ontario Secondary School Literacy course before they can graduate.

MONITORING CURRICULUM QUALITY AND IMPLEMENTATION

Recommendation

To help determine whether the Ministry's expectations for curriculum reform are being met, and to enhance the public accountability of school boards, the Ministry should:

- *implement procedures to monitor and report on consistency in teachers' student assessment practices throughout the province;*
- *assess the benefits of developing common province-wide exams;*
- *establish a process for strengthening school board implementation processes, the scope of which includes evaluating the adequacy of key curriculum delivery, student assessment, improvement planning, and results reporting procedures of school boards; and*
- *develop and report on outcome-oriented measures of effectiveness for elementary and secondary education.*

Current Status

The Ministry advised us that, to encourage and increase consistency in teachers' student assessment practices, it has provided teachers with training, exemplars, and achievement charts and has researched actions taken in other jurisdictions. The Ministry also advised us that it has consulted with supervisory officers' organizations (including the Ontario Public Supervisory Officers' Association and the Ontario Catholic Supervisory Officers' Association) to gather information on the feasibility of developing and implementing procedures for monitoring and reporting on consistency in teachers' student assessment practices throughout the province. In addition, a survey was conducted in the French-language system to gather information on consistency in student assessment. The Ministry indicated that it is in the process of contracting for a resource document to help promote consistency in student assessments.

The Ministry has not yet assessed the benefits of developing common province-wide exams. The Ministry advised us that it was providing support to district steering committees to monitor the implementation of the curriculum and that the development of outcome-oriented measures of effectiveness for elementary and secondary education would be addressed when the new data collection system is implemented. The Ministry also indicated that it was exploring models to be used to monitor curriculum implementation in a selected discipline.

STRENGTHENING IMPROVEMENT PLANNING AND RESEARCH

Recommendation

To help ensure that decisions regarding curriculum delivery are based upon sufficient and reliable information, and to enhance the effectiveness of the improvement planning process, the Ministry should:

- *establish standards regarding the capability of student information systems that school boards use and the information that is recorded on them;*
- *co-ordinate and support training for school and board personnel in implementing effective improvement planning processes;*
- *implement, either through the Education Quality and Accountability Office or otherwise, a review function for school board and school improvement planning processes that includes on-site examination; and*
- *co-ordinate and support research on key curriculum delivery issues.*

Current Status

The Ministry stated that, while it had not established standards for student information systems, it did develop in May 2004 common data definitions for the information that is shared between the Ministry, school boards, and schools. The Ministry also advised us that the new data collection system would enable it to generate more accurate, reliable, and complete statistics and would provide a better basis for assessing needs and for developing policies to meet them.

The Ministry indicated that training for the implementation of improvement planning, as well as the establishment of a review function to assess improvement planning processes, would be deferred until the mandate and priorities of the Literacy and Numeracy Secretariat have been established. We were advised that beginning in the 2005 school year, the Literacy and Numeracy Secretariat would work collaboratively with boards to strengthen the school improvement planning process for kindergarten to grade 6.

With respect to co-ordinating and supporting research on key curriculum delivery issues, the Ministry noted that it had established a number of expert panels, such as the Early Reading, Literacy, and Early Math panels, to consider specific issues. Panel reports resulted in a number of additional support materials and resources, and examples of best practices and instructional strategies have been distributed to schools. The Ministry indicated that it also researched and developed a resource relating to improving boys' literacy skills, which was introduced at a provincial symposium and distributed to all boards and schools in the province. A multi-year formal evaluation of the Early Reading and Early Math strategies was being undertaken to provide empirical evidence of progress achieved and guidance on areas needing improvement. We were advised that a pilot project to support remediation for Mathematics in grades 7 to 9 is being initiated. The project is specifically designed to measure the effectiveness of materials, training, and implementation in this area.

EVALUATING THE ANNUAL EDUCATION PLAN/TEACHER ADVISER PROGRAM

Recommendation

In order to help ensure that appropriate benefits are realized from the Annual Education Plan/Teacher Adviser Program, the Ministry should, in conjunction with school boards and principals, formally assess the success of the program in meeting the needs of the students. If the assessment is positive, measurable objectives for the program should be established.

Current Status

The Ministry indicated that, from August to November 2004, it undertook a review of the implementation of the Annual Education Plan and the Teacher Adviser Program in Ontario schools. As a result of this review, effective June 27, 2005, schools are no longer required to establish a Teacher Adviser Program. The Annual Education Plan continues to be a requirement for students in grades 7 to 12.

Chapter 4

Section

4.06

Ministry of Economic Development and Trade

Business and Economic Development Activities

Follow-up to VFM Section 3.06, *2003 Annual Report*

Background

The Ministry of Enterprise, Opportunity and Innovation was created on April 15, 2002, with the amalgamation of the science and technology activities of the former Ministry of Energy, Science and Technology with the business and economic development activities of the former Ministry of Economic Development and Trade. The Ministry's mandate was to foster an Ontario with competitive businesses and a prosperous economy by promoting innovation, economic growth, and job creation. In fall 2003, the Ministry was renamed the Ministry of Economic Development and Trade.

At the time of our audit in 2003, the Ministry had four divisions employing 300 staff who delivered its business and economic development activities:

- The Competitiveness and Business Development Division supported business development, managed the government's relationship with various industry sectors, and delivered the Strategic Skills Investment program, which provided financial support to training institutions to develop job skills for Ontario's labour market.
- The Investment Division attracted investment to the province, marketing it as a premier investment location using advertising and promotion and by generating business leads and providing investment services.
- The Trade Development Division was responsible for increasing Ontario's global exports by working with Ontario-based firms to expand their exports worldwide. A government agency, Ontario Exports Inc., carries out most of the responsibilities of this Division.
- The Corporate and Field Services Division offered financial and management advice to businesses and entrepreneurs and operated a network of field offices and small-business enterprise centres to promote growth, export activity, and job creation.

In the 2004/05 fiscal year, the Ministry spent $63.9 million ($78.9 million in 2002/03) to carry out its business and economic development activities.

In 2003, we concluded that the Ministry did not have the necessary strategic planning processes and information systems to support training institutions in addressing skills shortages and to assist Ontario businesses in expanding their export potential. For example, we noted the following:

- The Ministry had not evaluated the Strategic Skills Investment program to determine whether the program was successful in addressing the current and anticipated skills needed to ensure business competitiveness in Ontario and to ensure that students obtained employment in their respective areas of training.
- The Ministry had not developed methods to measure the extent to which it had achieved its objective of promoting innovation, economic growth, and job creation. Instead, the Ministry tended to assess performance by measuring activities; for example, it assessed export trade performance by monitoring the number of clients assisted rather than by determining whether any increases in export trade had actually occurred as a result of ministry activities.

We found that the Ministry's advertising and marketing campaign to encourage investment in the province was well planned and that appropriate research was carried out to support the development of a focused marketing plan.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Ministry, progress has been made on all of the recommendations we made in our *2003 Annual Report*. The current status of action taken on each of our recommendations is as follows.

COMPETITIVENESS AND BUSINESS DEVELOPMENT

Strategic Skills Investment Program—Identifying and Responding to Skills Shortages

Recommendation

To ensure that the Strategic Skills Investment program adequately supports the development of the strategic skills necessary to enhance business competitiveness, the Ministry should:

- *resolve its database concerns to determine whether the program is adequately addressing skills shortages and whether graduates are employed in the areas for which they were trained; and*
- *review the reasonableness of the percentage of ministry funding that is used for construction and equipment costs instead of for direct training costs.*

Current Status

The Ministry reported that a new data report to track and summarize student enrolment and completion information across all projects has been implemented. However, the Ministry cancelled the Strategic Skills Investment program during its planning process for the 2004/05 fiscal year. In spite of the program's cancellation, the Ministry intended to continue to track student enrolment and course completion information for all existing Strategic Skills Investment projects until they are complete. The Ministry also stated that options were examined and recommendations proposed to track whether graduates obtained employment in the areas for which they were trained, but because of the cancellation of the program, these recommendations would not be introduced.

Prior to the cancellation of the program in 2004, the Ministry hired a consultant to review the reasonableness of the percentage of ministry funding used for construction and equipment costs versus direct training costs. The consultant concluded that the flexibility of the program to fund the types of costs required by each project was effective and should not be changed.

Strategic Skills Investment Program—Evaluating and Processing Proposals

Recommendation

To ensure that the Strategic Skills Investment program increases the responsiveness of training institutions to meeting business needs, the Ministry should:

- *ensure that in-kind contributions from private-sector partners are properly valued and, where amounts are significant, request independent valuations;*
- *review its share of funding for training programs in relation to the share provided by industry partners and consider developing funding-level guidelines; and*
- *ensure that training program proposals are evaluated, processed, and approved on a timely basis.*

Current Status

Prior to cancellation of the Strategic Skills Investment program, the Ministry had implemented a procedure to independently verify in-kind contributions greater than $100,000. The Ministry had also reviewed its share of funding and found that it averaged 25%. The Ministry committed to a guideline of funding no more than 50% of any single project. For all projects subsequently funded, prior to the cancellation of the program, the highest program percentage contribution was 35%, according to the Ministry. In addition, the Ministry informed us that, at the time the program was cancelled, it had planned to set target dates for obtaining project approvals.

EXPORT TRADE AND INVESTMENT

Recommendation

To more effectively support the Ministry's initiatives for increasing Ontario exports and attracting investment to the province, the Ministry should:

- *perform a formal analysis of export opportunities, assess the success of the previous initiatives of Ontario Exports Inc., and conduct a comprehensive cost/benefit analysis of this agency's trade development initiatives; and*
- *track the source of business investment leads generated in the Investment Division to help improve its strategic planning and resource allocation.*

Current Status

The Ministry and Ontario Exports Inc. completed a three-year strategic plan for the 2003/04 to 2005/06 fiscal years. The plan identified market and sector priorities and key activities for each market and sector. The Ministry reassessed and updated its priority sectors, markets, and activities in the 2004/05 fiscal year. Performance measures were refined and submitted to the Management Board of Cabinet in February 2005. The measures are to be reviewed in late June or July 2005.

The Ministry also informed us that it has added the source of business investment leads to its investment tracking system.

TRADE DEVELOPMENT AND FIELD SERVICES GRANTS

Recommendation

To help meet program objectives for grant programs, the Ministry should ensure that proper systems for monitoring recipients are in place and that the success of each program is formally evaluated and taken into consideration in future funding decisions.

Current Status

The Ministry stated that it has implemented systems for monitoring grant recipients and tracking results under two youth entrepreneurship programs—the Summer Company and My Company programs—that we reviewed in our *2003 Annual Report*. Furthermore, the Ministry affirmed that similar monitoring and evaluating procedures would be implemented for all new programs, such as its new $500 million Ontario Automotive Investment Strategy program. In addition, with respect to the Canada Science and Technology Centre in Jiangsu, China, a recipient of Trade Development Division grants that we reviewed in our *2003 Annual Report*, the Ministry informed us that it would no longer provide direct support for the Centre. The Ministry has eliminated the funding it budgeted for the Centre from its estimates for the 2004/05 fiscal year.

MEASUREMENT OF AND REPORTING ON PROGRAM EFFECTIVENESS

Recommendation

To measure and report on the effectiveness of its business and economic development activities, the Ministry should develop performance measures that demonstrate how program initiatives contribute to the fostering of competitive businesses and a prosperous economy.

Current Status

The Ministry has proposed a Performance Improvement Plan that it submitted to the Management Board of Cabinet in February 2005. We were informed that the plan was being reviewed and was expected to be addressed by the Management Board of Cabinet in late June or July 2005.

At the time of our follow-up, the Ministry was also working with the Results Office, a section of the Cabinet Office, to help develop performance measures relating to ensuring that plans, capacity, and monitoring processes are in place to deliver on the government's three key priorities of "Success for Students," "Healthier Ontarians," and "Strong People, Strong Economy."

TRAVEL EXPENDITURES

Recommendation

To ensure that all travel services are acquired economically, that Ontario government rules are followed, and that employees are reimbursed for only legitimate business expenditures, the Ministry should:

- *reiterate to employees the necessity of following government travel policies and advise staff that any exceptions to the rules will not be reimbursed; and*
- *reimburse only those travel claims that are accompanied by proper supporting documentation.*

Current Status

The Ministry reported that steps have been taken to address deficiencies in travel expense claims, including revising travel policies to include international air travel, following up immediately on any detected instances of non-compliance with staff, educating all managers on travel policies, and posting travel reminders on the ministry Intranet site.

The Ministry completed a quality-assurance audit of travel claims in November 2004 to determine the level of compliance with travel policies and identify any areas needing further follow-up with staff. Results were communicated to managers and staff. The Ministry also communicated to staff the requirements of a new government-wide travel directive.

MANAGEMENT OF CONSULTING SERVICES

Recommendation

To achieve value for money when using consulting services, the Ministry should ensure that:

- *consultants are hired through a competitive selection process and are treated fairly and equitably, and any exceptions are adequately justified, documented, and approved;*
- *contracts and payments are properly monitored and controlled, and any increases in the ceiling price are justified, formally agreed to in advance, and properly approved;*
- *contracts outlining the key deliverables, costs, and other significant project details are signed before consultants begin their assignments; and*

- *formal evaluations are prepared for consultants when their assignments are completed, and these evaluations are made available to other divisions for future evaluations of consulting proposals.*

Current Status

The Ministry reported that it has implemented significant improvements in its management of consulting services to address the specific recommendations of the Auditor General's report. These include updated policies and procedures, improved communication of ministry policies, increased controls over the acquisition of consulting services, enhanced reporting requirements, and customized training for staff. In addition, the Ministry stated that it was continuing to monitor contract management for compliance with Management Board of Cabinet directives and would be conducting a quality-assurance audit of consulting services that was scheduled to be completed by the end of June 2005.

ONTARIO INVESTMENT SERVICE WEBSITE

Recommendation

To ensure that the Ministry's requirements for the Ontario Investment Service website are met in the most economical manner, the Ministry should consider the costs and benefits of having the functions performed internally.

Current Status

An evaluation of the Ministry's program to encourage investment in Ontario included a recommendation that the Ministry hire permanent staff for the regular data maintenance work and contract as needed for the complicated system development work on the Ontario Investment Service website. Accordingly, two programmers have been hired to perform regular data maintenance, while external consultants carry out design services and systems development on an as-needed basis. The Ministry estimated that, with this new arrangement, approximately $150,000 would be saved annually.

Chapter 4

Section

4.07 Science and Technology

Ministry of Economic Development and Trade

Follow-up to VFM Section 3.07, *2003 Annual Report*

Background

The goals of the Ministry of Economic Development and Trade (formerly named the Ministry of Enterprise, Opportunity and Innovation) are to promote innovation, economic growth, and job creation. To help achieve these goals, the Ministry funded several major science and technology programs and spent $1.3 billion between April 1, 1998 and March 31, 2003, with total announced program commitments of $4.3 billion.

During our audit, we did not receive adequate access to all the information we requested from the Ministry—information that the Ministry must provide to us under section 10 of the *Auditor General Act* (at the time of the audit, the *Audit Act*). Such limitations on our access to information prevented us from being able to conclude on our audit objectives and complete this audit in a timely manner. The Ministry was of the opinion that it provided the information in accordance with government protocols. However, we continually expressed the view that we were not provided with all the information needed to satisfactorily complete our audit work. Notwithstanding the limitation on our access to information, we still noted a number of significant concerns, as follows:

- The Ministry had paid the Ontario Innovation Trust $750 million to support the capital cost of research in Ontario, but the Ministry was receiving virtually no information from the Trust and did not have the required monitoring processes in place to hold the Trust accountable for its expenditure of public funds.
- The Innovation Institute of Ontario (IIO)—a non-profit corporation that administers the Ontario Research and Development Challenge Fund—often destroyed research-proposal assessments without the required written consent from the Ministry.
- We found that the marks on the Ministry's summary of the Premier's Research Excellence Awards competition did not agree with the reviewers' original score-sheet marks. Such findings limit the Ministry's ability to demonstrate the fairness of the selection process.
- A review of the minutes from advisory board meetings where research proposals were recommended for funding revealed occasions on which a conflict of interest should have been declared, but there was no indication in the minutes that a conflict had been declared.
- Although the Ministry had spent hundreds of millions of dollars on science and technology research, it had made little effort to ensure that intellectual property rights arising from funded research ultimately benefited the province.
- In July 2000, the Ministry single-sourced the administration of the Ontario Research and Development Challenge Fund to the IIO.

According to ministry documents, the Ministry did not issue a request for proposals (RFP) because once an RFP is out, anyone who is eligible must be treated fairly in the process, and problems could arise if a bidder was not dealt with fairly. This contradicts the basic principles of government fairness with respect to procurement of goods and services.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Ministry of Economic Development and Trade, progress has been made on all of the recommendations we made in our *2003 Annual Report*, with substantial progress having been made on several. The current status of action taken on each of our recommendations is as follows.

COMPLIANCE WITH GOVERNMENT AND MINISTRY POLICIES

Governance and Accountability—Ontario Innovation Trust

Recommendation

To ensure the effective oversight of the Ontario Innovation Trust's spending of potentially more than $1 billion in public funds, the Ministry should:

- *negotiate an agreement with the Trust to establish proper governance and accountability arrangements;*
- *implement procedures for routinely obtaining and reviewing information on the status of recipient eligibility and ongoing results;*
- *implement procedures for identifying areas of non-compliance and initiating corrective action where required; and*
- *ensure that all government Board appointments are up to date.*

Current Status

In 2004, the province reversed a 2002 commitment to contribute an additional $300 million to the Ontario Innovation Trust, resulting in total trust funding being limited to $750 million. Consequently, the Trust decided to proceed with committed eligible project disbursements but would only approve new projects to the extent they could be funded from existing resources. As of July 2004, the Ministry assumed responsibility for directly funding any new research infrastructure programs, previously funded by the Trust.

The Ministry of Economic Development and Trade reached an agreement with the Ontario Innovation Trust effective April 1, 2004 that clarified the roles, responsibilities, and relationship between the Ministry and the Trust. The agreement also set out accountability principles and operating procedures, including provisions for financial reporting to the Ministry. Consequently, at the time of our follow-up the Ministry was receiving and reviewing detailed operating and financial information from the Trust.

The agreement with the Ontario Innovation Trust also commits the Trust to ensuring that recipients are bound to achieve specific measurable results. At the time of our follow-up, recipients were required to report periodically on both the financial status of the project and the results achieved. The Ministry has also devised a process with the Trust to identify and address non-compliance matters, including provisions for the audit and recovery of funds in the event of non-compliance.

The Trust's Board consists of seven directors, three of whom are to be appointed by the province. At the time of our follow-up, the Ministry reported to us that the only government appointment to the Trust's Board was the Assistant Deputy Minister of its Research and Commercialization Division. This appointment expired in April 2005, and the Ministry was working on a new appointment at the time of our follow-up. The Ministry reported that it had raised the matter of the other two vacancies with the Public Appointments Secretariat. On July 21, 2005, three government representatives were appointed to the Trust's Board.

Governance and Accountability—Ontario Research and Development Challenge Fund

Recommendation

To ensure that the required accountability mechanisms are in place for the management of the Ontario Research and Development Challenge Fund (Challenge Fund), the Ministry should:

- *update the Memorandum of Understanding between the Challenge Fund and the ministries to outline the responsibilities of the Challenge Fund Board and special advisory committees and to reflect current program objectives and suitable performance measures; and*
- *ensure that primary and direct oversight responsibility for the Challenge Fund rests with a lead ministry.*

Current Status

A new Memorandum of Understanding (MOU) for the Ontario Research and Development Challenge Fund (Challenge Fund) took effect on April 1, 2004. The MOU recognizes the Ministry of Economic Development and Trade as the lead ministry for the program. The MOU also spells out the Fund's mandate and objectives and outlines the responsibilities of the Challenge Fund's Board and its advisory committees. In addition, the MOU requires that the Ministry establish performance measures in respect of the Fund, assess performance in relation to these measures, and monitor and report on the performance of the Fund in relation to these measures.

At the time of our follow-up, the Challenge Fund was in the process of winding down and was to be replaced by the Ontario Research Fund. The remaining Challenge Fund projects were to run to completion, with the last project scheduled to finish in December 2009. The new Ontario Research Fund consolidates operating, capital, and overhead funding into one comprehensive program that is to be managed by the Ministry. An MOU between the Ministry and the Ontario Research Fund's Advisory Board is to be closely modelled after the Challenge Fund's MOU.

Project Selection—Ontario Research and Development Challenge Fund

Recommendation

To ensure that the Ontario Research and Development Challenge Fund selection process is timely, fair, and transparent and that adequate procedures are in place to assess project eligibility, the Ministry should:

- *require the Innovation Institute of Ontario to retain all relevant documentation;*
- *implement procedures for periodically verifying eligibility and ensuring that any exceptions to program eligibility criteria are well supported;*
- *ensure that all applicable ministers are apprised of the Board's recommendations or, if appropriate, obtain a delegation of authority for the Minister of Enterprise, Opportunity and Innovation to approve projects for funding on behalf of all ministers who are party to the agreement; and*
- *ensure that applications for research funding are reviewed within the specified time frame and that recommendations are made to the required ministers on a timely basis.*

Current Status

The Ministry has instructed the Innovation Institute of Ontario (IIO) to retain all relevant documents as required by the service contract with the Ministry and as consistent with the government's retention schedule. The Ministry signed an amending agreement to its contract with the IIO to provide for the verification of ongoing project eligibility and other IIO responsibilities. The Ministry now receives monthly reports from the IIO to verify eligibility and to monitor program progress on an ongoing basis.

A new Memorandum of Understanding assigned responsibility to the Ministry of Economic Development and Trade for approving projects for funding on behalf of and in consultation with the ministries of Agriculture and Food; Training, Colleges and Universities; and Finance. However, as of October 2003, no more research project competitions would be held for the Challenge Fund, as the program is being replaced by the Ontario Research Fund.

Project Selection—Ontario Research Performance Fund

Recommendation

To help ensure that recipients of Ontario Research Performance Fund grants meet eligibility criteria and are paid the proper amounts, the Ministry should:

- *ensure that all new recipients meet program eligibility requirements;*
- *ensure that signed confirmation letters are on file verifying the amount of grants provided by other ministries to eligible recipients;*
- *implement procedures for verifying that grant amounts are calculated accurately; and*
- *establish a deadline for submissions and for finalizing annual payments under the program.*

Current Status

The Ministry stated that, in July 2004, the Ontario Research Performance Fund became a component of the new Ontario Research Fund. With that change, a procedure was put in place to ensure that lead ministries funding research are accountable for ensuring recipient eligibility, retention of confirmation letters, and verification of grant amount calculations. Submission deadlines and payment procedures are included in the new administrative procedures manual.

Project Selection—Premier's Research Excellence Awards

Recommendation

To provide assurance that a fair and transparent selection process is followed and that due diligence is demonstrated when assessing proposals for the Premier's Research Excellence Awards, the Ministry should ensure that:

- *all selection documents—including proposals, individual score sheets, summary score sheets, and written recommendations—are kept on file for a specified retention period;*
- *all individual and summary score sheets are reviewed for accuracy; and*
- *the selection process and evaluation criteria are explicitly stated to potential applicants and applied consistently.*

Current Status

The Ministry stated that all documentation is now retained, including all individual and summary score sheets. The Premier's Research Excellence Awards Advisory Board met in January 2004 and agreed to ensure greater consistency in the reviewers' scoring by adopting several measures, including a two-tiered due-diligence process whereby ministry staff review and consolidate Advisory Board results for presentation to the awards' Board. In addition, the Ministry included program guidelines and eligibility criteria on its website to clarify, for potential applicants, the selection process and evaluation criteria.

Project Selection—Premier's Platinum Medal for Research Excellence

Recommendation

To ensure that a fair and transparent selection process is in place for selecting recipients of the Premier's

Platinum Medal for Research Excellence, the Ministry should:

- *update the Memorandum of Understanding with the Advisory Board to reflect the Board's responsibility for the program; and*
- *retain all documentation necessary to adequately support the eligibility and selection of each recipient of the Premier's Platinum Medal for Research Excellence.*

Current Status

In spring 2004, the Memorandum of Understanding with the Advisory Board for selecting Platinum Medal winners was finalized, along with a procedures manual for administering the program. However, in fall 2004, a realignment of the Ministry's science and technology programs was approved, and no funding was included for further Premier's Platinum Medal for Research Excellence awards.

Program Monitoring

Monitoring the Ontario Research and Development Challenge Fund Grants

Recommendation

To ensure that Ontario Research and Development Challenge Fund (Challenge Fund) grants are used for the purposes intended and that project performance is reported on and monitored, the Ministry should:

- *review for continued eligibility all projects that have not received payments from the Challenge Fund in the previous six months, and implement an ongoing process for identifying and following up on such projects;*
- *establish an overall policy regarding when audited reports are required, implement clear guidelines on the form and content of these reports, and ensure that quarterly, annual, audited, and final project reports are received when due; and*
- *on a timely basis review and analyze all reports received to ensure that projects remain eligible, to determine whether milestones have been met, and to assess whether performance has been satisfactory.*

Current Status

Although the Challenge Fund is in the process of winding down, as at March 31, 2005, 71 projects were still in progress with contracts totalling more than $360 million. To monitor project progress on an ongoing basis, at the time of our follow-up the Ministry was receiving monthly reports from the Innovation Institute of Ontario identifying Challenge Fund projects that had not requested funding in the previous six months, along with other projects not meeting compliance requirements. Actions planned and taken to attain compliance with reporting requirements are also included in the report on a project-by-project basis. The Ministry also established policies, procedures, and formats for Challenge Fund project reporting as part of its new program administration process.

Monitoring the Ontario Centres of Excellence

Recommendation

To help ensure that an adequate monitoring process is in place to demonstrate that the Ontario Centres of Excellence use public resources prudently and in compliance with defined performance expectations, the Ministry should:

- *implement a process for tracking the receipt of all required monitoring reports and follow up on any outstanding reports in a timely manner; and*
- *adequately review all reports received and reconcile the annual reports' information with that contained in the audited financial statements to ensure that reported information is accurate and complete.*

Current Status

A new governance structure for the Centres of Excellence was put in place effective April 1, 2004. As a result, the Centres of Excellence are to report to the Ministry through a non-profit corporation, Ontario Centres of Excellence Inc., under contract to manage the Centres for the Ministry. The contract sets out performance measures and requirements for accountability and governance. Staff have been assigned responsibility to monitor the receipt of reports, review and analyze these reports, and follow up on any outstanding issues.

Monitoring the Premier's Research Excellence Awards

Recommendation

To help ensure that the Premier's Research Excellence Awards program meets its objectives of attracting, developing, and keeping talented graduate students and researchers in Ontario and that funds are spent appropriately, the Ministry should:

- *ensure that all required financial and performance reports are received on a timely basis;*
- *verify that funds are being spent for the purposes intended, that the information submitted is accurate, and that project targets and milestones are being met; and*
- *analyze and consolidate the performance information reported by recipient institutions to assess the program's accomplishments and report this information annually to the program's board and to the Minister as required.*

Current Status

At the time of our follow-up, the Ministry was replacing the Premier's Research Excellence Awards (PREA) program with a successor program called the Research Talent Development Program. The Ministry stated that it has put in place revised procedures to ensure that funds are used for the intended purpose, and that appropriate performance and financial information was received and reviewed for consolidation and reporting to the PREA board and the Ministry. The Ministry also stated that these procedures would be carried over to the successor program.

Monitoring Potential Conflicts of Interest

Recommendation

To ensure compliance with the government's post-service and conflict-of-interest requirements and to ensure that its science and technology activities are conducted in an open, fair, and transparent manner, the Ministry should:

- *develop consistent conflict-of-interest policies that apply to all science and technology grant programs;*
- *develop standardized procedures for adequately monitoring potential conflicts of interest; and*
- *inform the responsible Minister of all conflicts of interest as required.*

Current Status

The Ministry informed us that, after consultation with representatives from its science and technology programs, it has implemented conflict-of-interest policies and procedures for its transfer-payment programs. The guidelines are included in its agreements with the boards of the Ontario Innovation Trust, the Ontario Research and Development Challenge Fund, and the Premier's Research Excellence Awards. The Ministry also stated that accompanying procedures require conflict-of-interest matters to be promptly brought to the attention of the Minister. The Ministry stated that a conflict-of-interest policy would be applied consistently to all new ministry funding programs.

Project Benefits

Intellectual Property Rights

Recommendation

To help meet its overall objectives of supporting job creation and economic growth that benefits the people of Ontario, the Ministry should:

- *ensure compliance with program policies on intellectual property rights;*
- *review existing policies and develop consistency among programs regarding the ownership of intellectual property; and*

- *formally assess the various programs' success in meeting their objectives.*

Current Status

In December 2004, the Minister established the Commercialization Advisory Council, among whose key tasks is reviewing intellectual property barriers to commercialization. The Ministry stated that it expects the Council's work to result in a consistent policy for science and technology programs and that it would establish criteria for assessing the programs' success in meeting their objectives. Preliminary findings of the Committee were expected by mid-2005.

Industry Support

Recommendation

To better ensure that the required private-sector contributions are actually made, the Ministry should:

- *verify that the required commitment confirmation letters are received before funding research projects;*
- *consistently apply the criteria for proportionate program funding and document justification for any exceptions; and*
- *develop policies for the independent valuation of in-kind contributions.*

Current Status

The Ministry informed us that the Challenge Fund has not accepted any new project proposals since October 2003 and that the fund was being replaced by the new Ontario Research Fund, a program that will be administered by the Ministry. The Ministry stated that the Innovation Institute of Ontario, which administers the Fund, has verified receipt of commitment confirmation letters from any new private-sector partners joining an existing project and has maintained the information on a project management database to verify ongoing eligibility.

At the time of our follow-up, the Ministry was working with representatives of both government and the academic community to determine appropriate levels of private-sector contributions for new programs. The Ministry also informed us that a consistent policy for the valuation of in-kind contributions was being developed and was expected to be completed by mid-2005 and to be put in place for all of its research and technology programs.

PROGRAM FINANCIAL AND ADMINISTRATIVE CONTROLS

Program Administration

Recommendation

To improve the Division's financial and administrative controls, help achieve due regard for economy, and improve staff efficiency, the Ministry should:

- *assess the continued merit of any approved research projects that are inactive and, where necessary, terminate funding commitments to inactive projects;*
- *review prepaid funding, so that payments are made to cover only current needs;*
- *clarify the roles and responsibilities of advisory board members and others involved in administering science and technology programs; and*
- *develop an information system to provide the Ministry's staff with the information needed for effectively overseeing its transfer-payment programs.*

Current Status

The Ministry now receives and reviews monthly reports from the Innovation Institute of Ontario, the administrator of the Challenge Fund. This report details the status of all Fund projects. Two research projects have been terminated, primarily due to failures on the part of the private-sector partners to fulfill commitments to the projects.

Prepaid funding had been provided to the Ontario Innovation Trust and the Ontario Research Performance Fund. The Ontario Research Fund assumed the responsibilities of the Ontario Research Performance Fund in July 2004. At the time of our follow-up, the Trust was also winding down, as no new funding had been received by the Trust since May 2000.

Updates of the memoranda of understanding between the Ministry and the boards of the Ontario Innovation Trust and the Challenge Fund included a clarification of the roles of board members as well as of subsidiaries of the Trust.

The Innovation Institute has implemented an electronic grants management information system for the Challenge Fund and the Ontario Innovation Trust. The Ministry has also developed a project-tracking database for its new Ontario Research Fund.

Innovation Institute of Ontario—Administration

Recommendation

To ensure that the fees paid to the Innovation Institute of Ontario (IIO) for administering the Ontario Research and Development Challenge Fund (Challenge Fund) are reasonable, the Ministry should:

- *assess whether the expected benefits of outsourcing have been achieved;*
- *insist on receiving a budget and operating plans from the IIO before each fiscal year begins, instead of after the year has been completed;*
- *ensure that it receives audited financial statements from the IIO for use in assessing the appropriateness of fees charged for administering the Challenge Fund; and*
- *ensure that the detailed breakdown of the budget submissions correlates with the expense categories used in the financial statements and follow up on any discrepancies.*

Current Status

The Ministry informed us that it had recently completed a review of its science and technology programs when developing its Science and Technology Strategy. This resulted in a new transfer-payment program—the Ontario Research Fund—that replaces the Ontario Innovation Trust, the Ontario Research and Development Challenge Fund, and the Ontario Research Performance Fund. While outsourcing the delivery of new programs was an option considered, the Ministry will administer this particular new program internally.

The Ministry informed us that it had received from the Innovation Institute of Ontario (IIO) budgets and operating plans for the 2003/04 and 2004/05 fiscal years prior to fiscal-year commencement. The Ministry also received the audited financial statements for the most recent fiscal year ending March 31, 2004. To enable comparison with the audited financial statements, the Ministry had been provided with a detailed breakdown of all budget line items for the 2004/05 fiscal year. The Ministry informed us that it had reviewed the budget submission and followed up with the IIO on any discrepancies.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

Program Planning

Recommendation

To formalize its co-ordination responsibilities and provide clear direction for program development and delivery, the Ministry should:

- *review all research programs and prepare a detailed strategic plan that sets specific goals and objectives for research in the province; and*
- *outline policies—such as conflict-of-interest rules, project selection criteria, and monitoring guidelines—that all programs must follow regardless of the delivery mechanism.*

Current Status

The Ministry informed us that the government approved a broad strategic plan for all its science and technology programs in fall 2004. This plan formed the basis for discussions with stakeholders in the last quarter of 2004 in seven regions of the province. The discussions focused on the issues raised by stakeholders with respect to the design and implementation of the new Ontario Research Fund and Ontario Commercialization Program.

At the time of our follow-up, the Ministry was expecting to complete the development of policies for conflict of interest, selection criteria, and monitoring guidelines by September 2005. The Ministry was intending to apply these policies consistently across programs and included relevant requirements in all memoranda of understanding with program boards.

Effectiveness Reporting

Recommendation

To provide better accountability to the public and the Legislature for its use of public funds, the Ministry should:

- *develop performance measures, targets, and benchmarks that reflect its accomplishments and contributions to the overall goals of promoting innovation, economic growth, and job creation;*
- *perform the necessary assessments to measure whether its initiatives are effective in achieving overall ministry goals; and*
- *report on the actual achievement of these measures, explaining any significant deviations from established targets and benchmarks.*

Current Status

The Ministry informed us that, in March 2005, it completed a review of publicly available indicators and performance measures from five provinces and states, five countries, and five reports spanning multiple jurisdictions. The Ministry found broad performance measures widely used but little in the way of program-specific performance measures that reflect outcomes from research.

The Ministry has proposed several broad performance measures to Cabinet Office and has drafted several program-specific performance measures. Broad measures involved gross domestic expenditures on research as a proportion of gross domestic product, business expenditures on research as a proportion of all expenditures on research, and numbers of research personnel. Specific program measures include amounts invested in support of innovation by third parties to match ministry program funding and numbers of people acquiring enhanced skills through ministry support.

The Ministry stated that it expects to further develop internal performance measures in the 2005/06 fiscal year in its annual report to the Management Board of Cabinet.

Chapter 4

Section

4.08

Ministry of Environment

Environet

Follow-up to VFM Section 3.08, *2003 Annual Report*

Background

The Ministry of the Environment has a broad mandate to restore, protect, and enhance Ontario's environment. It works to ensure cleaner air, water, and land, and healthier provincial ecosystems, through a number of acts and associated regulations, including the *Ontario Water Resources Act* and the *Environmental Protection Act*.

In 2000, the Ministry developed a new information technology vision and strategy, called Environet, to strengthen the delivery of its environmental programs. As of March 2003, the Ministry had spent approximately $17.1 million developing the four Environet management information systems we reviewed.

In our *2003 Annual Report*, we concluded that the Ministry's Environet systems did not provide ministry staff with the information needed to support the Ministry's responsibilities of ensuring that drinking water met regulatory standards, that hazardous waste movements were properly controlled, and that all air emissions were monitored and reported where required. Our major findings were:

- Three hundred of 1,476 registered non-municipal waterworks had never submitted any test results to the Ministry, and 612 (27%) had not submitted the minimum number of water samples for two of the highest-risk substances, *E. coli* bacteria and fecal coliform.
- Although exceedances (water samples with unacceptably high concentration levels of regulated substances) were only a small proportion of the total samples submitted to the Ministry, we did identify 6,725 exceedances from 2001 up to the time of our audit. Of these, 3,181 were Adverse Water Quality Incidents (AWQIs), which are more serious exceedances that can affect human health. Ministry systems and procedures did not ensure that all AWQIs were reported and addressed. For example, the Ministry was not aware of 31 out of 46 AWQIs that had occurred at one waterworks.
- Less than 1% of the province's hazardous waste movements were monitored by the new hazardous waste information system. An older, inefficient paper-manifest system was still being used to handle almost all transactions because the new system could not accept paper submissions. We also noted no evidence of follow-up action on over 5,000 unauthorized hazardous waste movements flagged by the system.
- Total inspection activity was at 73% of 1995/96 levels, and inspectors were averaging fewer inspections annually. We were informed that this was due to the increased length of time it now takes to conduct inspections. Given the significant increase in the number of facilities covered by recent regulations, the Ministry needed to develop a strategy to deal with these new facilities. For example, in 2002 inspectors visited

only 54 of the 357 private drinking water treatment plants and 44 of the 1,119 smaller plants and designated facilities.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Ministry, some progress has been made on all of the recommendations made in our *2003 Annual Report*, with substantial progress being made on those recommendations relating to the drinking water component of Environet. The current status of action taken on each of our recommendations is as follows.

Drinking Water Information System (DWIS)

Recommendation

To ensure that the quality of Ontario's drinking water is properly monitored and that appropriate inspection and other follow-up action is taken on a timely basis when necessary, the Ministry should:

- *complete the development of the Drinking Water Information System (DWIS) as soon as possible;*
- *explore ways to use DWIS and its data to generate reports that would help inspectors identify and prioritize candidates for inspection and summarize waterworks regulatory compliance; and*
- *improve validation procedures to ensure all waterworks records in DWIS are accurate.*

Current Status

The Ministry informed us that it had completed the development and implementation of an enhanced version of the Drinking Water Information System (DWIS), including the data migration of over 3,500 drinking water systems. Significant enhancements made include more efficient data input capabilities, easier retrieval of Adverse Water Quality Incident (AWQI) information, improved security and change control features, and improved compliance checking functionality to align with current regulatory reporting requirements.

The Ministry also reported that it has improved on the reports available to support and help prioritize inspection and enforcement activities. A suite of about 30 operational reports is now available. These reports support inspectors, laboratory services staff, and registration and compliance officers, for example, by identifying drinking water systems that have missing test results, have not identified a licensed laboratory for the testing of regulatory samples, or have not submitted required information such as an annual report or an AWQI report, and by identifying laboratories that have not reported an AWQI to the Spills Action Centre (SAC). Work is also proceeding on the development of a business intelligence tool that will enable data mining and reporting from a variety of ministry databases.

The Ministry further informed us that validation procedures have been improved through the implementation of smart forms, which make it possible to submit drinking water system profile information electronically for direct entry into the DWIS database. Other enhancements that help to improve the accuracy of this submitted information include new edit checks, drop-down menus, and pick lists; and the availability of on-line help. Efforts are also underway to make further improvements to these smart forms. Registration and compliance officers are responsible for reviewing and assessing information provided by the drinking system owner and ensuring its completeness before it is incorporated into the database. Quality-assurance reviews of data entered into DWIS are also undertaken weekly, and new or updated information obtained by field inspectors is also entered into DWIS on a regular basis.

Submission of Water-sample Test Results

Recommendation

To enhance its ability to respond to water problems promptly, the Ministry should improve controls to ensure all waterworks submit their water-sample test results and compliance reports in accordance with regulatory requirements.

Current Status

The Ministry informed us that DWIS reporting to identify water systems and laboratories that do not supply required information has now been completed and that available compliance reports have significantly increased the Ministry's abilities to ensure regulatory compliance. The system can now, on a daily basis and based on the classification of the drinking water system, check submitted sample test results against expectations, flag any missing test results, and present the results in a detailed report. Drinking water inspectors can now query DWIS to generate compliance reports to help plan and prepare for inspections, and registration and compliance officers can generate reports on submission status for such items as drinking water system annual reports and engineers' reports and evaluations.

Exceedances and Adverse Water Quality Incidents

Recommendation

To improve its ability to investigate and resolve water problems promptly, the Ministry should:

- *enhance the existing system to highlight all Adverse Water Quality Incidents for management attention to ensure timely follow-up action; and*
- *promptly update substance concentration limits to reflect new and amended standards.*

Current Status

The Ministry reported that the AWQI module in DWIS has been enhanced to ensure that additional information is provided for reporting of an adverse water quality test result. For example, SAC staff can now ensure that the local public health unit has been contacted and determine whether an emergency response has been initiated from the appropriate ministry district office. In cases of microbiological exceedances, the SAC must make personal contact with district office staff to ensure that appropriate follow-up action is taking place. Field staff must ensure that all required notifications and corrective actions are undertaken by the drinking water system owner or operator to ensure that the incident is appropriately resolved. Where field staff suspect laboratory discrepancies, they contact the laboratory in question for further investigation.

The Ministry has developed and implemented a risk-based protocol to ensure timely notification of appropriate staff and senior management when AWQIs occur. This protocol formalizes the business relationships between the SAC, the Safe Drinking Water Branch, and the Operations Division at both the regional and district levels to ensure prompt and appropriate responses, including on-site investigation. The protocol deals with the full range of potential AWQIs, the required written and verbal notifications both during and after normal working hours, and what ministry actions are required to follow up on and resolve the incident.

The Ministry has also advised us that procedures have been put in place to ensure that new standards, once brought into effect through a new or amended regulation, are input into DWIS on a timely basis. Specifically, when the Environmental Sciences and Standards Division informs the Drinking Water Management Division of a new or amended limit and its effective date, the required updates are performed by a database administrator.

Reporting of Adverse Water Quality Incidents

Recommendation

To ensure that all serious water problems are corrected, the Ministry should consider incorporating *a follow-up reporting/resolution module within the Drinking Water Information System that would provide information to management about incident resolution for each Adverse Water Quality Incident.*

Current Status

The Ministry informed us that when an AWQI occurs, the SAC records both the verbal and written information provided by the laboratory and the drinking water system owner into DWIS. The information is automatically transferred to the Ministry's Integrated Divisional System (IDS), and an incident report is automatically generated. Complete details of the resolution of all AWQIs are currently captured in IDS. Closure of the AWQI report requires the submission of a Notice of Issue Resolution by the drinking water system owner, and new drinking water system regulations effective May 2003 require reports to be submitted to the Ministry for every AWQI no later than seven days after the issue has been resolved. The AWQI module of DWIS now includes the ability to record when this written notice has been received, and DWIS can generate reports to inform management on the status of these reports.

Hazardous Waste Information Network (HWIN)

Recommendation

To ensure that all hazardous waste movements are properly monitored to minimize the risk to the public, the Ministry should:

- *develop and deliver an ongoing incentive, conversion, and communication strategy to promote the adoption of electronic manifests by the hazardous waste industry; and*
- *develop Hazardous Waste Information Network analytical and reporting tools that provide summary information related to the generation and movement of hazardous waste and help identify potential problems warranting follow-up.*

Current Status

The Ministry informed us that Hazardous Waste Information Network (HWIN) outreach activities have been completed to determine why industry users are not using electronic manifests. Nine meetings were held with key clients from fall 2003 through fall 2004. A summary of stakeholder concerns has been compiled for consideration as part of a comprehensive overhaul of the HWIN program once an anticipated waste regulation review initiative is announced.

The Ministry informed us that development work continues on the HWIN reporting function. Two exception reports have been operational for some time and are generated to provide information regarding uncertified carriers and receivers, as well as carriers and receivers that carry or receive uncertified waste. These reports are provided to the appropriate district office for follow-up. Ministry staff can also extract a number of information reports from the HWIN system to obtain such details as company registration, status, and site information; payment and other financial transaction details; and information on manifests recording the movement of hazardous waste.

As of May 15, 2005, generator exception reports were available from the HWIN. HWIN carrier and receiver exception reports have been developed and are in the final stages of testing. At the time of our follow-up, these reports were anticipated to be available at the end of September 2005. The full set of exception reports for generators, carriers, and receivers are available through the older HWIS system. These reports will be used by ministry staff to follow up on problems identified. It is intended that HWIN will identify potential exceptions in the same manner as the older HWIS system does, with the addition of generator exception reports. Full implementation of these and other improvements, such as those suggested through the outreach initiative, will occur as part of the comprehensive overhaul once the anticipated waste regulation review initiative is announced.

Ministry staff are currently in the process of following up on suspected violations from the 2004 exception reports and are using exception report data as part of the risk assessment process to determine which facilities are candidates for inspection or alternative enforcement or abatement activity for the 2005/06 fiscal year.

Registration of Hazardous Waste Facilities

Recommendation

To ensure that all hazardous waste is moved in accordance with regulatory standards, the Ministry should:

- *ensure all active hazardous waste generators are registered;*
- *investigate hazardous waste movements initiated by unregistered generators; and*
- *investigate hazardous waste movements where the generator, carrier, or receiver is not authorized to handle the waste type.*

Current Status

The Ministry informed us that registrations were received from 72% of all known generators during the January 1 through February 15, 2005 registration period. Compared to 2004, this represents an increase of 22% in the number of generators who registered within the legislated time frame. Past ministry practice was to send out three reminder notices, but in 2005 more than 16,000 fourth notices and, commencing February 24, more than 11,000 fifth notices were either emailed or sent by regular mail to known generators who were not yet registered. The fifth notice advised these generators that the 2005 registration period had passed, that these generators' registrations had now expired, and that they might be in violation of Ontario's waste management regulations. The Ministry also informed us that the registration system has been streamlined and made easier to understand, reducing the number of calls to the Ministry's help desk during the registration period by approximately 50% compared to the same period in 2004.

The Ministry informed us that HWIN-based information documenting waste shipments generated, carried, or received without proper authorization continues to be developed. Generator exception reports are now available, while carrier and receiver exception reports are not yet available from HWIN but can still be produced through the older HWIS system. Full exception reports for carriers and receivers were expected to be available later in 2005.

Unauthorized waste movements are investigated through a variety of means, including HWIS or HWIN exception reports provided to district staff for follow-up, the receipt of a complaint regarding waste management activities, or as a result of observations made during proactive inspections of waste generators and receivers by district staff. Through the use of exception reports, the Ministry identified a total of 156 receiver exceptions and 187 carrier exceptions for the 2004 calendar year. These exception reports are currently being reviewed and are being provided to the district offices for appropriate follow-up. Where violations are confirmed, the incident will be referred to the Ministry's Investigations and Enforcement Branch (IEB) for further enforcement action.

The Ministry further informed us that, in addition to following up on exception reports, it remains committed to undertaking inspections of hazardous waste facilities. Since January 2003 it has undertaken over 1,470 inspections at sites where hazardous waste is either generated or received. Over two-thirds of these sites were found to be in regulatory compliance, with no environmental or human health concerns being identified. The Ministry initiated abatement activities for the remaining one-third, where non-compliance was found. These abatement activities ranged, depending on the nature and severity of the problem identified, from scheduling the site for re-inspection at a later date, to requiring the site owner to develop voluntary abatement measures, to issuing an order requiring the company to take specific action, to issuing an offence notice and referring the case to the IEB.

INSPECTIONS AND MANAGEMENT INFORMATION SYSTEMS

Recommendation

To ensure inspection coverage is risk-based and that inspection resources are allocated most efficiently, the Ministry should:

- *develop Environet reports that analyze the state of Ontario's environment and compliance with its regulations so that inspection resources can be allocated based on the greatest risks to human health;*
- *re-assess waterworks inspection coverage to ensure more non-municipal waterworks are inspected; and*
- *complete the development of a regime for laboratory inspections to ensure testing standards are being met and all Adverse Water Quality Incidents are reported promptly.*

Current Status

The Ministry informed us that it uses the full suite of reports and query capabilities generated through DWIS and the Laboratory and Waterworks Inspection System (LWIS), as well as information gathered from across other program areas, as aids to its work-planning and priority-setting and in its targeting of drinking water systems that may be non-compliant, particularly in areas related to the protection of human health. According to the Ministry, the combined capabilities of DWIS, LWIS, and other systems such as IDS have allowed it to become more efficient at identifying drinking water health risks across the province. These technologies have facilitated the implementation of a new risk-based approach to proactive inspections for municipal drinking water systems. For example, by running queries on LWIS, the Ministry determines which municipal systems are eligible for a new Focused Inspection Protocol. A municipal system is eligible for such focused inspections if it has been fully inspected with no noted deficiencies for three consecutive years. Because of their demonstrated lower risk, the scope of inspections at such facilities is reduced, thereby allowing inspectors to spend more time on higher-risk systems.

Inspectors also use DWIS before an inspection to review the facility's AWQI history to identify areas requiring close attention. In future, the Ministry plans to share or merge data between LWIS and DWIS, thereby enabling AWQI information to be available in LWIS. When this capability is in place, a system that is eligible for a focused inspection but has a significant history of AWQIs may have its focused inspection supplemented with additional elements from the more detailed inspection protocol to address additional areas of potential risk.

In addition, the Ministry informed us that a link between Environet and IDS has also been completed, facilitating the transfer of IDS data into the Environet system. The Ministry is planning to develop compliance and enforcement reports using these new data, and is also developing a business intelligence tool to further support the drinking water program. Environet reports will also be instrumental in fulfilling new legislative requirements for preparing the Chief Drinking Water Inspector's annual report on the overall performance of drinking water systems in Ontario.

For non-municipal systems, the Ministry advised us that it is currently developing a comprehensive risk-based compliance strategy. Key to this strategy is the advice received from the Advisory Council on Drinking Water Quality and Testing Standards established by the Minister in 2004. The Council's report, released in February 2005, made a number of recommendations, including the development of risk-based, site-specific approaches for municipal non-residential, non-municipal seasonal residential, and non-municipal non-residential systems; and that the responsibility for these systems be transferred to the public health units. A working group of Ministry of Health and Long-Term Care and Ministry of Environment staff is currently working to finalize the strategy.

With respect to laboratory inspections, the Ministry informed us that it has developed and implemented a laboratory licensing and inspection program, and the inspection program has been operational since October 2003. All licensed laboratories performing drinking water testing are subject to inspection, and a laboratory inspection protocol document has been developed and is being used by laboratory inspectors to ensure regulatory compliance. The Ministry conducts pre-planned inspections (which may be announced in advance or take place on a surprise basis), and also conducts inspections in response to suspicions or allegations of non-compliance.

Chapter 4

Section

4.09 Public Health Activity

Ministry of Health and Long-Term Care

Follow-up to VFM Section 3.09, *2003 Annual Report*

Background

Under the direction of the Chief Medical Officer of Health, the Ministry's Public Health Division's responsibilities include administering the Public Health Activity. The primary legislative authority governing the Activity is the *Health Protection and Promotion Act*. During the 2004/05 fiscal year, the Ministry provided approximately $275 million ($240 million in 2002/03) to 37 local health units, primarily for the delivery of mandatory health programs and services.

We concluded in our *2003 Annual Report* that the Ministry did not have adequate procedures to ensure that its expectations for public health were being met in a cost-effective manner. In particular, we were concerned that the Ministry had not analyzed the extent to which individuals received differing levels of service or were exposed to differing levels of risk depending on where in Ontario they live. For instance, in 2002, per capita funding for mandatory health programs and services ranged from approximately $23 to $64 among the 37 local health units.

The Ministry had conducted virtually no regular assessments in the previous five years to determine whether the health units were complying with the guidelines for mandatory programs and services. Such assessments were recommended in the *Report of the Walkerton Inquiry*. Some of the other matters we noted included the following:

- None of the 33 local health units reporting information to the Ministry had conducted the necessary inspections of all of the food premises within their jurisdiction. In fact, 13 of the 33 local health units had only conducted the required inspections for less than 50% of the high-risk premises in their jurisdictions. Four local health units did not report their information.
- Seventeen out of 25 local health units that provided information to the Ministry reported that less than half of the high-risk food premises in their jurisdictions had food handlers who had the required training to help recognize and prevent risks associated with food-borne illnesses.
- In 2001, local health units inspected only approximately 60% of Ontario's tobacco vendors to verify compliance with the Mandatory Health Programs and Services Guidelines regarding sales to people under the age of 19.
- In 2001, only 65% of individuals identified as requiring medical surveillance for tuberculosis were successfully contacted and managed by local health units in accordance with the Ministry's Tuberculosis Control Protocol. Also, we were informed that nine local health units would provide a letter for immigrants with inactive tuberculosis to verify that the individuals were complying with federal medical

surveillance requirements, even though the individuals had not had the physical examination and x-ray required by the federal guidelines.

- The limited information the Ministry had with respect to immunization indicated that at least 14% of children had not had all required vaccinations by age seven.
- The Ministry lacked accurate and timely information on communicable diseases and immunization, limiting its ability to identify and take any necessary action.
- The Ministry had not yet developed a process to ensure that local health units were conducting risk assessments of and taking appropriate action against the West Nile virus.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information received from the Ministry of Health and Long-Term Care between February and May 2005, some progress has been made in addressing all of the recommendations in our *2003 Annual Report*, with significant progress being made on several. The current status of action taken on each of our recommendations is as follows.

FUNDING

Recommendation

To help it meet its objectives for the Public Health Activity, the Ministry should ensure that individuals with similar needs and risks receive a similar level of service regardless of where in the province they live.

To help ensure that provincial funding is allocated on a consistent basis, the Ministry should provide clear guidance on what constitutes an eligible public health expenditure.

Current Status

The Ministry advised us at the time of our follow-up that improved equity in public health services across Ontario would be facilitated through increasing the province's share of public health costs from 50% to 75% by the year 2007, as announced in the *2004 Ontario Budget*.

In addition, a new Financial Planning and Accountability Guide, issued in February 2005, clarified the Ministry's funding policy and provided some guidance on what constitutes an eligible public health expenditure. The Ministry indicated that the revised Guide will ensure more consistency among public health units' grant requests and related reporting.

In January 2005, the Ministry established a Capacity Review Committee to advise the Ministry on ways to improve the public health system. The Ministry informed us that as part of this review, the Committee is expected to make recommendations on an evidence-based approach to public health funding, with a modernized and needs-based allocation methodology. The Committee's final report is expected in December 2005.

COMPLIANCE WITH LEGISLATION AND GUIDELINES

Recommendation

To help ensure compliance with legislation and the Mandatory Health Programs and Services Guidelines, the Ministry should:

- *establish more valid measures for assessing the performance and overall effectiveness of public health programs and services delivered by local health units;*
- *periodically verify the reliability of the compliance information reported by local health units; and*
- *ensure that every local health unit has a full-time medical officer of health as required by legislation.*

Where local health units are using other measurement tools, such as accreditation, the Ministry should:

- *obtain any resulting reports and analysis; and*
- *assess whether any of these tools should be used by all local health units.*

Current Status

The June 2004 Operation Health Protection action plan includes a review of the Mandatory Health Programs and Services Guidelines, whose measures for assessing the performance and effectiveness of local health units in delivering programs and services were found to be problematic in 2002. The Ministry informed us that the review was to ensure that the Guidelines are consistent with needs, best practices, and lessons learned from Ontario's experience with Walkerton, West Nile virus, and SARS. The Ministry also informed us that a performance measurement system for local health units was being introduced in 2005, whereby the local health units are to be monitored against performance measures in order for the Ministry to assess local-health-unit performance and overall program effectiveness.

As well, the Ministry is planning to seek approval in the 2005/06 fiscal year to create an enhanced program to conduct more comprehensive assessments and to measure the performance of local health units. The program is to include verifying the compliance information reported by local health units.

The Ministry indicated that a Local Public Health Capacity Review, included in the June 2004 Operation Health Protection action plan, is to include an approach to addressing the requirements for and availability of medical officers of health. The report resulting from the Review is expected by December 2005.

As well, the Ministry stated that it had conducted an in-depth review of accreditation as it pertains to the accountability framework for public health and that the resulting options analysis document would be considered as part of the Local Public Health Capacity Review. The Review report is also to address whether the Ministry should obtain the results of accreditation or other measurement tools used by local health units.

FOOD SAFETY

Inspection of Food Premises

Recommendation

To help minimize the risk to the public of food-borne illnesses, the Ministry should ensure that local public health units are conducting the required inspections and Hazard Analysis Critical Control Point Protocol audits of food premises to ascertain whether food premises are complying with acceptable public health practices.

Current Status

The Ministry indicated that at the time of our follow-up it was continuing to collect information annually from local health units on the completion of inspections and Hazard Analysis Critical Control Point Protocol audits. It informed us that data collected to date showed that more inspections and audits were now being completed. Also, the Ministry now requests explanations from those local health units whose results fall below average.

Food-handler Training

Recommendation

To help minimize the risk to the public of food-borne illnesses, the Ministry should:

- *ensure that public health units are complying with food-handler-training requirements;*
- *assess the risk of not requiring trained food handlers at food premises using fewer than three employees to prepare food; and*
- *determine whether food-handler training should be legislated.*

Current Status

The Ministry informed us that, as a first step towards ensuring compliance with food-handler-training requirements, its review of the Mandatory Health Programs and Services Guidelines would include a review of the Food Safety Program. We were advised that, in this regard, the Federal, Provincial and Territorial Committee on Food Safety Policy was in the process of determining what food-safety-training criteria to adopt, which would in turn help shape the Ontario model for food-safety training and certification. As well, ministry staff were in ongoing discussions with stakeholders regarding mandatory food-handler training and certification and were also reviewing the Food Premises Regulation under the *Health Protection and Promotion Act* to determine the implications of introducing into the legislation mandatory food-handler training and certification for high- and medium-risk food premises.

TOBACCO CONTROL

Recommendation

To improve tobacco control in Ontario and thereby help achieve the Ministry's goal of reducing premature mortality and morbidity from preventable chronic diseases, the Ministry should:

- *ensure that local health units work towards the goal of reducing the number of minors having access to tobacco products by conducting the required number of inspections and compliance checks; and*
- *determine whether changes to legislation would assist the Ministry and local health units in better meeting tobacco control objectives.*

Current Status

In June 2005, legislation was passed that will make workplaces and public places smoke-free throughout Ontario and will strengthen controls on youth access to tobacco. The Ministry informed us that the number of compliance checks that local health units are required to conduct would be increased. In addition, at the time of our follow-up, the Ministry informed us that increased tobacco enforcement training and support occurred in 2004 and would be expanded substantially in 2005. Additional funding was approved for a comprehensive Ontario tobacco strategy that is committed to preventing youth from starting to smoke, helping people who smoke to quit, and protecting the public from the health effects of second-hand smoke.

TUBERCULOSIS CONTROL

Medical Surveillance

Recommendation

To help reduce the incidence of active tuberculosis, the Ministry should enhance the effectiveness of medical surveillance by:

- *ensuring that local health units consistently and appropriately complete the medical surveillance of individuals with inactive tuberculosis, including ensuring that they have undergone a physical examination and x-ray; and*
- *using all available sources of information, including the Ontario Health Insurance Program's Registered Persons Data Base, to track those individuals under medical surveillance who were not successfully contacted and managed by local health units.*

Current Status

The Ministry informed us that it held a teleconference with local health units in spring 2004 to reinforce the medical surveillance requirements of the Ministry's Tuberculosis Control Protocol, which includes a requirement that individuals with inactive tuberculosis who are referred for medical surveillance undergo a physical examination and an x-ray. In addition, the Ministry indicated that an electronic database was set up in March 2004 to capture information about medical surveillance reporting and that changes were made to the Reportable Disease Information System in June

2004 to capture compliance requirements. In this regard, the Ministry informed us that it conducts regular monitoring to ensure that local health units update these information systems within established time frames. As well, the planned implementation of the Integrated Public Health Information System across all local health units by December 2005 should improve the follow-up of persons on medical surveillance, since it would enable the local health units to access tuberculosis data from other Ontario local health units.

The Ministry also informed us that a process is being finalized for locating individuals on medical surveillance by accessing their addresses without their consent from the Ontario Health Insurance Program's Registered Persons Data Base. The address and other information to help locate an individual will be available once all other possibilities for contacting the individual have been exhausted.

Contact Tracing

Recommendation

To help monitor the effectiveness of tuberculosis control in reducing the risk of spreading active tuberculosis, the Ministry should obtain more complete information on the results of tuberculosis contact tracing by local health units.

Current Status

The Ministry indicated that consultations with the appropriate parties were ongoing to ensure that complete contact tracing information would be captured in the previously mentioned Integrated Public Health Information System, which was expected at the time of our follow-up to be fully implemented by December 2005.

Treatment

Recommendation

To help prevent the spread of drug-resistant tuberculosis, the Ministry should develop and implement strategies to better ensure that all patients actually complete the required treatment.

Current Status

The Ministry indicated that it was reviewing the criteria used by local health units for placing individuals with tuberculosis on Directly Observed Therapy (DOT) and that it expected to issue a new DOT assessment tool to local health units in August 2005. In addition, the Ministry stated that treatment completion data were being compiled and analyzed monthly and that local health units were being contacted to update the Reportable Disease Information System as necessary. These data are to be captured in the Integrated Public Health Information System once it is implemented.

The Ministry noted that treatment completion data were not being entered in the Reportable Disease Information System after an individual left Ontario. Therefore, the Ministry was developing at the time of our follow-up an inter-jurisdictional form, expected to be finalized in late fall 2005, for local health units to obtain information on the treatment of patients who have moved outside of Ontario.

VACCINE-PREVENTABLE DISEASES

Vaccines Covered

Recommendation

To help reduce the incidence of vaccine-preventable diseases, the Ministry should ensure that other vaccines recommended by the National Advisory Committee on Immunization are added to Ontario's routine immunization program unless sound reasons exist for not including the recommended vaccines.

Current Status

Since our 2003 audit, three new publicly funded vaccines have been added to the recommended schedule of routine childhood immunizations. The Ministry indicated at the time of our follow-up that it was continuing to review the National Advisory

Committee on Immunization's recommendations for new vaccinations.

Immunization

Recommendation

To help achieve its goal of reducing the incidence of vaccine-preventable diseases, the Ministry should more effectively monitor the immunization status of children to ensure that all school-aged children have had the required vaccinations. To this end, the Ministry should ensure that it has an immunization registry that provides complete, accurate, and timely immunization information.

Current Status

The Ministry informed us that it was in the process of preparing a comprehensive plan, with timelines for the development and implementation of an immunization information system. In this regard, the Ministry indicated that it is working with Canada Health Infoway, a federal corporation with a mission to foster and accelerate the development and adoption of electronic health information systems. Until a new immunization system is implemented, the Ministry continues to use its Immunization Record Information System to provide some immunization information. The Ministry indicated that, at the time of our follow-up, this system included immunization coverage data up to the 2001/02 school year. The Ministry expected that coverage data up to the 2003/04 school year would be included by September 2005.

In addition, the Ministry was continuing to participate in the Canadian Immunization Registry Network, a federal/provincial/territorial working group that makes recommendations for nationally consistent data and standards for immunization registries.

Influenza Vaccine

Recommendation

To help determine the effectiveness of the universal influenza immunization program, the Ministry should evaluate whether the program is meeting its objectives of decreasing the number of cases and severity of influenza and reducing the impact of influenza on emergency room visits and other areas of the health-care system.

Current Status

The Ministry indicated at the time of our follow-up that a formal evaluation of the universal influenza immunization program had commenced and would be completed in two phases over a number of years. Results from Phase 1 are expected by February 2006, and Phase 2 results are expected in spring 2010. The results of the evaluation are expected to provide information on whether the program is reducing the burden of influenza in Ontario.

Vaccine Wastage

Recommendation

To help limit vaccine wastage, the Ministry should obtain accurate and complete information about vaccine wastage and take appropriate action to reduce wastage.

Current Status

In October 2003, the Ministry issued revised guidelines to improve vaccine storage and handling and thereby reduce wastage. In addition, the Ministry informed us at the time of our follow-up that it was tracking vaccines that were not maintained at the correct temperature and therefore resulted in vaccine wastage. The Ministry indicated as well that requirements for vaccine inventory management were to be included in the comprehensive plan for the previously mentioned proposed immunization information system.

WEST NILE VIRUS CONTROL

Recommendation

To facilitate an effective response to West Nile virus by local health units, the Ministry should ensure that:

- *local health units comply with the Control of West Nile Virus regulation and other guidance provided by the Ministry, including conducting risk assessments;*
- *local health units carry out West Nile virus interventions in a cost-effective manner based on the results of local risk assessments; and*
- *there is an electronic system in place to record and report all cases of the West Nile virus on a timely basis.*

Current Status

The Ministry indicated at the time of our follow-up that its monitoring of local health units for compliance with the Control of West Nile Virus regulation, including monitoring of risk assessments, was ongoing.

In response to the second part of the recommendation, the Ministry indicated that it reviewed detailed budget reporting templates for all local health units to determine the cost-effectiveness of their West Nile virus–related activities. In addition, the Ministry held West Nile virus teleconferences with local health units to help them in their virus interventions, while routinely receiving mosquito data during 2004. As well, the Ministry stated that it had been working with the Public Health Agency of Canada and the Ministry of the Environment to keep up to date on effective West Nile virus surveillance, prevention, and control measures. The Ministry shares this information with the local health units.

The Ministry also advised us that the Reportable Disease Information System was updated in 2004 to include human cases of West Nile virus. As well, all reported cases of West Nile virus are able to be tracked in the Integrated Public Health Information System expected to be implemented by December 2005.

INFORMATION SYSTEMS

Recommendation

To help ensure that timely, consistent, and integrated information is available to deliver public health services across the province, the Ministry should implement, either in conjunction with the federal/provincial/territorial initiative to implement an automated public health information system or independently, an adequate public health surveillance system for communicable diseases and immunization.

Current Status

The Ministry indicated that, as previously mentioned, it was expecting to have the Integrated Public Health Information System implemented across all local health units by December 2005. The system was piloted in two local health units as well as at the Ministry, and enhancements were undertaken for outbreak management, contact tracing, and quarantine management. Also, as previously mentioned, a comprehensive plan for the development and implementation of a new immunization information system, which is to include timelines for various aspects of the plan, was being developed at the time of our follow-up.

Chapter 4

Section

4.10

Ministry of Training, Colleges and Universities

Ontario Student Assistance Program

Follow-up to VFM Section 3.10, *2003 Annual Report*

Background

The Ontario Student Assistance Program (OSAP) is a provincially administered and federally and provincially funded program that provides needs-based financial assistance to full-time students to enable them to attend an approved postsecondary school. The objective of OSAP is to help students from lower-income families meet the costs of postsecondary education so that all qualified students can have access to postsecondary education.

For the 2004/05 fiscal year, provincial OSAP expenditures totalled $327 million ($356 million in 2002/03). These expenditures include default claims on loan guarantees, loan forgiveness grants, interest subsidies while students are attending school, interest relief during the repayment stage, and various need- and merit-based bursaries and scholarships.

In our *2003 Annual Report*, we concluded that, since our 1997 audit of OSAP, the Ministry had taken action to address a number of our recommendations and significantly improve the overall administration of the program. Notwithstanding these improvements, there were several areas where further action was required. In particular:

- The Ministry had paid about $2 million more annually in interest costs and risked at least $6 million more in annual default costs than it should have because some loan advances to students were paid earlier than necessary; except in cases where students had significantly under-reported their income, its repayment policies for loan overpayments were too permissive; and there was a lack of effective monitoring of academic status changes by postsecondary schools. Effective monitoring would have reduced students' financial assistance; the lack of such monitoring caused the Ministry to pay loan forgiveness grants to students who were not eligible to receive them.
- Our own analysis to identify instances and patterns of reporting errors or abuse by students revealed unlikely circumstances that the Ministry ought to have questioned, such as students or parents reporting in their applications an increase of three or more dependent children from the previous year.
- The Ministry could have further reduced the cost of defaulted student loans by several million dollars by making greater use of default management practices successfully employed in other jurisdictions. It had also not referred at least 60,000 additional defaulted loans on

which collection efforts had been unsuccessful to the Canada Customs and Revenue Agency, which would have collected the outstanding amounts from any future income tax refunds owing to the individuals with the defaulted loans.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Current Status of Recommendations

According to information obtained from the Ministry of Training, Colleges and Universities, the Ministry has taken some action on all of the recommendations we made in our *2003 Annual Report*. The current status of action taken on each of our recommendations is as follows.

DETERMINING ELIGIBILITY AND LOAN ENTITLEMENTS

Verifying Income

Recommendation

To ensure that efforts to verify incomes reported on applications are effective and timely, the Ministry should:

- *analyze the results of income verification to ascertain trends, identify cases where it is not working effectively, and take any necessary corrective action; and*
- *negotiate policy changes that will permit parental and spousal incomes to be verified at the same time.*

Current Status

After our 2003 audit, the Ministry indicated that it had undertaken further analysis and determined that under-reporting of income is one of the primary causes of overpayments. The Ministry amended OSAP regulations under the *Ministry of Training, Colleges and Universities Act* to specify the circumstances under which the Minister may place restrictions on future eligibility for student loans, including instances where incorrect information was provided by a student. We were advised that the Ministry was still defining the process to be followed on how to consistently deal with loan overpayments that were the result of students under-reporting their income or the income of their parents or their spouses.

The Ministry is working on a Memorandum of Understanding with the federal government to address income verification. Since the Ministry has acknowledged that the under-reporting of income is one of the primary causes of overpayments, requiring income reporting and appropriate periodic verification of income reported by students who are receiving ongoing loan assistance is a critical internal control.

The Ministry indicated that changes in policy regarding income verification must be negotiated with the federal government, that it has held discussions with the federal government on income verification, and that the negotiations are still in process. According to the Ministry, the specific issue of verifying spousal income at the same time that parental income is verified was raised in February 2005. At the time of our follow-up, this issue was continuing to be negotiated in conjunction with the federal government's review of the methodology for needs assessment, and a working group had been created with representatives from the federal government and other provinces to address this issue.

The Ministry advised us that it had not yet finalized what actions would be taken against students who under-report income and that it would continue to actively investigate the most serious cases of significant under-reporting.

Calculating Entitlements Where Applicants Report Income from Social Assistance

Recommendation

To properly determine entitlements in cases where spousal income includes social assistance as a source of income, the Ministry should correct existing loan-application processing procedures so that other significant reported income sources are considered.

Current Status

In its 2003 response to this recommendation, the Ministry indicated that it would insert additional edit checks when processing 2004/05 loan applications. However, we were advised during our follow-up that, due to the low numbers of occurrences where spousal income includes social assistance, the Ministry is monitoring the individual occurrences through manual verification checks.

The Ministry advised us that since March 2005, it has also been examining ways of improving the data match agreement with the Ministry of Community and Social Services in order to identify individuals with social assistance income.

REDUCING STUDENT LOAN OVERPAYMENTS

Recommendation

To minimize the occurrence and size of loan overpayments and to reduce the related interest and default costs, the Ministry should:

- *analyze loan overpayments yearly to determine the main reasons for them and take corrective action based on the results;*
- *match the timing of loan disbursements more closely to students' cash flow requirements;*
- *ensure that all Financial Aid Offices monitor students' academic status during the entire year and promptly record any changes to that status on the OSAP information system in accordance with ministry expectations; and*
- *consider limiting the amount of loan overpayment that a student who has not reported accurate information to the Ministry is permitted to retain.*

Current Status

At the time of our follow-up, the Ministry had reviewed the reasons for loan overpayments, had communicated this information to the federal government, and had indicated that OSAP policy changes and extensive negotiations with the federal government would be required to address the reasons for overpayments. The Ministry informed us that it was proposing to investigate serious cases of income under-reporting and would use the results of the investigation to determine future policy work.

With respect to adjusting the timing of loan disbursements, we were advised that a request for proposals would be issued in fall 2005 by the federal government for a loan service provider that could also make monthly loan disbursements. The Ministry indicated that, subject to ministerial approval and the successful selection of a service provider, it would move to monthly disbursements of student loan funding. The earliest possible date for initiating monthly disbursements would be the 2006/07 academic year.

In September 2004, the Ministry posted a reminder to financial aid administrators on its website that changes identified when they confirm a student's enrolment are to be processed on a timely basis to ensure that student accounts are reassessed and updated appropriately. In November 2004, the Ministry posted an additional reminder to financial aid administrators that they are required to monitor students' academic status for the purpose of releasing loan funding appropriately.

In this regard, the monitoring of students' academic status was found to be one of the main deficiencies found in compliance audits completed at public institutions in 2004 for the 2001/02 academic year. As a result, the Ministry formed an audit working group, consisting of financial aid administrators and ministry personnel, to identify best practices and disseminate them to all institutions.

With respect to limiting the amount of loan overpayments students can retain, the federal government was seeking approval to include a provision in the Canada Student Financial Assistance Regulations that would give the federal Minister authority to recover amounts of loans and/or grants issued to students that exceeded the amounts they were entitled to. The Ministry advised us that it was closely monitoring the federal initiative and will be assessing whether the federal changes are practical and reasonable for Ontario to implement as well.

CONTROLLING ONTARIO STUDENT OPPORTUNITY GRANT PAYMENTS

Recommendation

To ensure that only eligible students receive Ontario Student Opportunity Grants, the Ministry should work with postsecondary schools to identify students who reduce their course load to part-time status and students who do not formally withdraw from their program but make no attempt to complete the academic year.

Current Status

The audit working group formed by the Ministry in 2004, composed of ministry and financial aid office personnel, has a mandate to:

- discuss and address recent compliance audit findings that include instances of non-compliance with Ontario Student Opportunity Grant requirements; and
- improve the audit process to ensure that it is cost effective.

We were advised that compliance audit guidelines/procedures for the 2004/05 academic year were to be released in fall 2005.

MANAGING THE RISK OF PROGRAM ABUSE

Recommendation

To minimize the risk of OSAP abuse by students, the Ministry should use its extensive database to identify individual cases of potential abuse and analyze summary statistics for possible trends warranting investigation and, where necessary, appropriate corrective action.

Current Status

In fall 2004, the Ministry completed some preliminary analysis on students reporting significant increases in dependants from the previous academic year and identified savings in both loans and grants totalling approximately $167,000. The Ministry is considering a requirement that students who report an increase in dependants from one year to the next provide supporting documentation.

The Ministry informed us that, in view of the recommendations relating to student support programs in the Postsecondary Education Review issued in February 2005, it is reviewing the availability of resources to undertake further data analysis.

REDUCING DEFAULTED STUDENT LOANS

Recommendation

To continue reducing the losses arising from defaulted student loans, the Ministry should:

- *implement best practices used successfully in other jurisdictions to reduce the risk and cost of defaulted student loans; and*
- *establish income tax set-off arrangements for all defaulted loan accounts for which normal collection efforts have been exhausted.*

Current Status

The Ministry has taken additional steps to reduce loan defaults as follows:

- The Ontario Debt Reduction in Repayment (DRR) program was implemented in November

2004 to assist borrowers facing exceptionally long-term financial difficulty by forgiving a portion of their outstanding loan principal, thereby lowering their monthly loan payments. The DRR program is available to borrowers who have been out of school for at least five years and have exhausted all available periods of interest relief (that is, six-month periods during which the government pays interest on the borrower's behalf and borrowers are not required to make any payments). It is hoped that the student, by having a portion of his or her loan forgiven, will be able to repay the remaining loan instead of defaulting on the entire loan amount. Since the program was only recently implemented, its success in reducing loan defaults is unknown.

- Starting in September 2004, students were able to check the status of their loan on-line. The goal of this provision is to improve students' awareness of their debt levels.
- The Ministry informed us that, once a new service provider is in place, it will negotiate, through the federal government, default management arrangements with the service provider for high-risk borrowers who warrant additional attention.

As for arranging for income tax set-off for defaulted accounts, the Ministry has increased the number of accounts subject to this arrangement by 40,000 over the past two years, raising the total number of such accounts from 27,000 to 67,000.

EXPANDING PERFORMANCE REPORTING

Recommendation

To evaluate and report on the effectiveness of the Ontario Student Assistance Program and strengthen accountability, the Ministry should establish deadlines to begin publicly reporting the agreed-upon performance measures.

Current Status

At the time of our follow-up, the Ministry was publicly reporting on graduation and employment rates of students and loan default rates. The reporting of these measures meets the initial reporting requirements under the Pan-Canadian Designation Policy Framework, implemented in November 2004 after approval by federal and provincial officials (the Framework guides governments in developing, implementing, and maintaining policies relating to how designated educational institutions manage student financial assistance).

Ontario has committed to actively participating in the further development of the Framework, including the creation of additional indicators. At present, the Framework has two indicators for assessing and monitoring the performance of educational institutions. The administrative compliance indicator deals with how appropriately institutions administer their student loan programs. The repayment indicator measures institutional financial risk by calculating student loan repayment rates for each institution. Institutions assessed to be at moderate or high financial risk are to be identified and given repayment-rate performance-improvement targets and may be subject to specified interventions and sanctions.

A student assistance policy working group, comprising federal and provincial representatives, met in February 2005 to review potential student loan program performance measures. Further meetings are to be held during the 2005/06 fiscal year.

Chapter 5

Public Accounts of the Province

Introduction

The Public Accounts for each fiscal year, ending March 31, are prepared under the direction of the Minister of Finance, as required by the *Ministry of Treasury and Economics Act* (Act). The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes.

The consolidated financial statements of the province are the responsibility of the government of Ontario. This responsibility encompasses ensuring that the information in the statements, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that a system of control, with supporting procedures, is in place to provide assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

Our Office audits the consolidated financial statements of the province. The objective of our audit is to obtain reasonable assurance that the government's financial statements are free of material misstatement—that is, that they are free of significant errors or omissions. The financial statements, along with our Auditor's Report on them, are included in the province's annual report.

The province's annual report contains, in addition to the province's consolidated financial statements, a discussion and analysis section that provides additional information regarding the province's financial condition and its fiscal results. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1 contains the ministry statements and a number of schedules providing details of the province's revenues and expenditures, its debts and other liabilities, its loans and investments, and other financial information.
- Volume 2 contains the audited financial statements of the significant provincial Crown corporations, boards, and commissions whose activities are included in the government's consolidated financial statements, as well as other miscellaneous financial statements.
- Volume 3 contains detailed schedules of ministry payments to vendors and transfer-payment recipients.

Our Office reviews the information in the annual report and Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council before the 240th day after the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Assembly or, if it is not in session, make the information public and then, when the Assembly resumes sitting, lay it before the Assembly on or before the 10th day of that session. The annual report and three supplementary volumes of the Public Accounts for the 2004/05 fiscal year were all delivered to the Lieutenant Governor in Council on September 27, 2005 and made public on this date, thereby meeting the 180-day requirement.

The Province's 2004/05 Consolidated Financial Statements

The *Auditor General Act* requires that the Auditor General report annually on the results of the Auditor's examination of the province's consolidated financial statements. I am pleased to report that my Auditor's Report to the Legislative Assembly on the consolidated financial statements for the year ended March 31, 2005 is clear of any qualifications or reservations and reads as follows:

> To the Legislative Assembly of the Province of Ontario
>
> I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2005 and the consolidated statements of operations, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.
>
> I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.
>
> In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2005 and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.
>
> [signed]
>
> Toronto, Ontario
> August 19, 2005
>
> Jim McCarter, CA
> Auditor General

Expanding the Government Reporting Entity

The "government reporting entity" refers to, collectively, all of the organizations whose activities are included in the government's financial statements. Inclusion in the reporting entity essentially means that an organization's operating results and its assets and liabilities are consolidated with or otherwise incorporated into the government's financial statements, so that they form part of both the government's annual deficit or surplus and its accumulated deficit or surplus.

The government's consolidated financial statements reflect the accounting standards recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). As indicated our *2004 Annual Report*, in August 2003, PSAB revised its reporting-entity standard for fiscal years beginning on or after April 1, 2005. Under the new standard, the decision of whether to include an organization in the government reporting entity is to be based on one overall consideration—the extent of government control over the organization's activities. In essence, if a government controls an organization, that organization should be included as part of the government's reporting entity. Assessing the degree of government control is not an exact science and requires the exercise of professional judgment regarding the nature of the relationship between the government and the organization. Accordingly, the PSAB standard offers considerable guidance on a number of control indicators to help users of the standard assess the degree to which government control exists in specific situations.

As we indicated last year, the government completed an analysis of the impact of this new standard on its reporting entity, and in the 2004 Ontario Budget announced its intention to add the province's 105 school boards and school authorities, 24 community colleges, and 155 hospitals to its reporting entity. Most other provinces are now or will be including school boards, colleges, and hospitals in their respective reporting entities. In accordance with the new standard, these institutions are to be consolidated into the province's financial statements for the first time in the 2005/06 fiscal year.

This change will be significant. Effective the 2005/06 fiscal year, the province's annual surplus or deficit will include the impact of these organizations' annual surpluses or deficits, and their net assets or net debts will form part of the province's accumulated deficit. Transfers to these organizations will no longer be accounted for as current expenses of the government; rather, the accounting will be contingent on the use of such funds by the recipient organizations. In particular, any capital assets acquired or constructed with the capital transfers these organizations receive from the province will form part of the province's investment in capital assets and will be amortized over the assets' useful lives.

The government is dealing with a number of issues regarding the consolidation of these organizations. These issues include adjusting for fiscal year-ends and accounting policies that differ between the organizations and the province; the valuation of these organizations' capital assets; obtaining reasonable assurance that the newly consolidated amounts represent bona fide provincial assets, liabilities, revenues, and expenses; and ensuring that the presentation and disclosure of these consolidated organizations within the government's financial statements is appropriate.

Recognizing the challenges posed by its new requirements, PSAB also approved transitional provisions in March 2004 to allow governments to temporarily consolidate any newly included organizations on a "modified equity" rather than a "fully consolidated" basis. These provisions are in effect until fiscal years beginning on or after April 1, 2008. Under the provisions, as long as certain criteria are met, the new organizations' accounting policies can differ from those of the province, and their total net assets and surpluses or deficits may be reflected as a single line item on the province's statements rather than having each of their accounts combined with the government's accounts on a line-by-line basis.

In its 2004 Budget, the government expressed serious concerns about the eventual need to consolidate these new organizations on a line-by-line basis and expressed its preference that, given the nature of the governance and accountability relationship between the government and these organizations, modified equity accounting be adopted on a permanent basis. We will work with the Ministry of Finance to resolve this issue prior to the expiry of the PSAB transitional provisions.

Stranded Debt of the Electricity Sector

In the last few Annual Reports, we have discussed the electricity sector and the government's efforts to deal with the stranded debt arising out of the recent major reforms occurring in that sector. The term "stranded debt" refers to the amount of debt and other liabilities of Ontario Hydro that could not be serviced in a competitive environment. When the Ontario Electricity Financial Corporation (OEFC), a new agency of the province, commenced operations on April 1, 1999, it assumed the stranded debt of $19.4 billion that the province, through OEFC, became responsible for retiring. As at March 31, 2005, the stranded debt, which is included in the province's consolidated financial statements, was $20.4 billion. The government has a long-term plan in place to retire this debt solely from dedicated revenue streams derived from the electricity sector. This long-term plan is updated annually to reflect current information and assumptions. As with any long-term plan, there is a degree of uncertainty as to whether forecasted results will be achieved.

The stranded debt includes a liability of approximately $4 billion relating to obligations under certain long-term power-purchase contracts entered into by the old Ontario Hydro. The liability arose because, under these contracts, which expire on various dates to 2048, the government is committed to purchasing power at prices that are expected to exceed market prices.

In our *2004 Annual Report*, we discussed government proposals to further reform the electricity sector. One of these proposed reforms was to pass legislation such that the OEFC would receive actual contract prices rather than market prices from electricity consumers for power generated under these long-term contracts. The government was considering eliminating its $4-billion liability when this legislation was passed and recording a one-time revenue gain in the 2004/05 fiscal year. As indicated in our *2004 Annual Report*, we continued to work with the Ministry of Finance and the OEFC during the current year on this proposed transaction. On March 18, 2005, the Ministry of Finance made an announcement in this regard:

> After careful review of the impacts of significant reforms in the electricity sector, the government has made a final decision regarding its treatment of the liability for certain long-term power purchase agreements. The government has determined that the most cautious and prudent accounting decision is to eliminate the $3.9-billion liability over time, instead of recording the gain in 2004/05, Finance Minister Greg Sorbara said today. The Auditor General agrees with this proposed accounting treatment.

This accounting treatment was reflected in the province's consolidated financial statements for the year ended March 31, 2005.

Multi-year Funding

In prior years' Annual Reports, we have reported concerns that we had regarding the government's accounting and accountability for multi-year funding. In this regard, we believe it essential that the annual operating statements of government properly reflect revenues and expenditures relating to the fiscal period being measured. When this practice is not followed and distortions are significant, users of financial statements cannot evaluate a government's fiscal performance for the year vis-à-vis its budget, assess its revenues earned vis-à-vis its expenditures on government programs, or make useful comparisons of such information between past and future periods or between jurisdictions.

Based on a review of a number of transfer-payment transactions that occurred near the end of this fiscal year, we continue to have concerns in this area. Normally the government provides transfers to its service delivery partners on an as-needed basis. Operating transfers are generally provided over the course of the year as such funds are required to finance operations, and capital funds are normally provided on a cost-recovery basis as the transfer-payment recipient completes specific stages of a pre-approved capital project. However, just prior to or on March 31, 2005, the government entered into a number of transfer-payment arrangements and expensed the amounts involved, thereby increasing the deficit for the year by almost $1 billion more than otherwise would have been the case. None of these transfers were originally planned for; that is, none had been included in the government's Budget for the 2004/05 fiscal year, and in many cases, normal accountability and control provisions were reduced or eliminated to make the transfers "unconditional," thus helping ensure that they would qualify for immediate expensing.

The following provides details of the most significant of these year-end transactions:

- In late March 2005, the province entered into transfer-payment contract agreements with a number of school boards, colleges, and universities whereby $722 million was to be provided on an immediate basis to fund a number of future initiatives, many of them unspecified, related to such areas as research, technological education and equipment, the professional needs of teachers and support staff, school libraries, special education, apprenticeship programs, and deferred maintenance. The amounts were expensed immediately, with the funds being provided shortly after the year-end.
- In late March 2005, the province entered into agreements with a number of hospitals to provide immediate transfers of $184 million for various future capital projects. Again, the amounts were immediately expensed, with the money provided shortly after the year-end.
- On March 31, 2005, the province terminated a long-term funding agreement with the City of Hamilton related to the Red Hill Creek Expressway and entered into a new agreement whereby it immediately paid out all of its remaining commitments under the project, which amounted to $36 million. Government documents indicate that a key reason this was done was to "create financial flexibility" for the province.
- On March 29, 2005, the government introduced a transition fund for tobacco farmers and entered into an agreement with the Ontario Flue-Cured Tobacco Growers' Marketing Board to provide a $35-million unconditional grant to help tobacco growers exit the tobacco industry. The funds were immediately expensed and provided shortly thereafter as an "emergency" payment.

None of these funds were spent providing education, health care, or other services to Ontarians in the 2004/05 fiscal year; rather, they will be spent in future years. However, under the current generally accepted accounting principles as promulgated by the Canadian Institute of Chartered Accountants (CICA), unconditional transfers of this nature can be recorded as expenses in the current year.

The CICA has recognized that current public-sector standards addressing transfers of this nature give governments considerable latitude in accounting for such transfers. A CICA Task Force has been established to study the issue, and the work of the Task Force is nearing completion. We have expressed our concerns on this issue to the Task Force, and we are hopeful that, once approved by the CICA's Public Sector Accounting Board, the new standards in this area will provide valuable guidance to both financial statement preparers and auditors in accounting for transfers of this nature. With the adoption of the expanded government reporting entity for the 2005/06 fiscal year, transfers of this nature to hospitals, school boards, and colleges will not have an impact on the province's annual surplus or deficit.

Accounting for Capital Assets

In January 2003, the Public Sector Accounting Board (PSAB) revised a 1997 standard setting out rules for the recognition, measurement, amortization, and presentation of capital assets in a government's financial statements. Until recent years, most governments, including that of Ontario, had charged to operations 100% of the cost of capital assets in the year such assets were acquired or constructed. The revised standard recommends that, similar to the approach taken in the private sector, the cost of capital assets be recorded as assets in government financial statements and be amortized to expense over their estimated useful lives.

The government phased in its adoption of these PSAB recommendations beginning in the 2002/03 fiscal year by valuing and capitalizing the province's land holdings, buildings, and transportation infrastructure. As a result, in 2003 the government recognized for the first time over $13 billion of net capital investments. These account for an estimated 90% or more of the government's total tangible capital assets.

Although no specific timetable has been set, the government has indicated that over the next several years it intends to adopt this PSAB standard for Ontario's remaining tangible capital assets, such as its computer systems, vehicles and equipment, and other smaller-value capital items. We encourage the government to complete its capitalization project as soon as possible and to include these assets and related amortization in its financial statements.

Other Recommendations for Improvement

Although the audit of the province's consolidated financial statements was not designed to identify all weaknesses in internal controls or to provide assurances on financial systems and procedures as such, we noted a number of areas during the audit where we believed improvements could be made. While none of these matters affects the fairness of the consolidated financial statements of the province, they are covered, along with accompanying recommendations for improvement, in an annual management letter to the Ministry of Finance.

New and Proposed Accounting Standards

The CICA's Public Sector Accounting Board (PSAB) serves the public interest and that of the profession by issuing accounting standards and guidance that will improve the financial and performance information reported by governments and other public-sector entities. Such improved information benefits decision-makers and other users of the information.

The more significant issues PSAB has been dealing with over the last year that will or may affect the province's financial statements and reporting practices are briefly outlined below.

TRANSFER-PAYMENT ACCOUNTING PRACTICES

As discussed previously in this chapter, PSAB is working on amendments to the current standard for accounting for transfers by both transferring and recipient governments or organizations. Given that billions of dollars are involved in such government transfers, these amendments have the potential to have a significant impact. For example, while the amendments that could be adopted have not been finalized, they could include allowing recipient governments to defer and recognize transfers as income in future years if specific restrictions are placed on the transferred funds by the transferring government. Conversely, in certain circumstances, a transferring government may be able to recognize funds provided as assets—rather than as current-year expenses—if the funds must be used to provide future value.

PERFORMANCE REPORTING

A project started by PSAB in 2004 intended to result in a new Statement of Recommended Practice for reporting on performance is continuing. The project has been undertaken to improve consistency in performance reporting, as there is currently no generally accepted approach to public-sector performance measurement and reporting. The project is intended to develop recommended practices for reporting both financial and non-financial performance information in order to provide a comprehensive, balanced, and transparent picture of a government's performance.

SOURCES OF GAAP

In November 2004, PSAB approved a new standard on generally accepted accounting principles (GAAP). This standard sets out what constitutes the primary sources of GAAP for the public sector, with the accounting standards and guidance issued by PSAB being the primary source of authoritative guidance. The standard also addresses what should be considered when dealing with a particular accounting or reporting issue that is not addressed by the primary sources of GAAP, or when additional guidance is needed to apply a primary source to specific circumstances.

INFORMATION ON MEASUREMENT UNCERTAINTY

In February 2005, PSAB issued a new standard on the disclosure of measurement uncertainty that could have a significant effect on the province's financial statements. While the private-sector standard on measurement uncertainty applies only to items recognized on the face of the financial statements, this public-sector standard also requires that measurement uncertainty information be disclosed when significant amounts are disclosed only in financial statement notes, as occurs with certain contingent liabilities.

Disclosure of Information on Business Segments

In July 2005, PSAB issued an Exposure Draft on segment disclosures. Examples of possible government business segments include the health-care sector, the education sector, and the social services sector. The proposed standard would require additional disclosure of financial information with respect to these distinct activities that the government is engaged in. The new standard addresses concerns about the level of aggregation of government consolidated financial statements in that such aggregation may not provide sufficiently detailed information to users about the different types of activities that the government is engaged in, or the resources devoted to and the costs of those activities.

APPLYING FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments or derivatives are typically used to manage foreign-currency and interest-rate risk using foreign-exchange forward contracts, swaps, futures, options, and other instruments. In September 2005, PSAB issued a Draft Guideline addressing the financial-reporting consequences facing governments arising from including in their consolidated financial statements government organizations and partnerships that have implemented the new private-sector standards covering the recognition and measurement of financial instruments. Under the new standard, revaluation of these assets or liabilities at fair value, resulting in unrealized gains or losses, may be required in subsequent periods. As a result, on consolidation of all organizations in the reporting entity, such unrealized gains and losses arising from these revaluations may affect the government's annual surplus or deficit or the province's change in net debt, which is not the case under the current standards.

Unfunded Liability of the Workplace Safety and Insurance Board

In 1993 and 1998, our Office commented on the significant unfunded liability of the Workplace Safety and Insurance Board (Board) and the importance of the Board having a credible plan in place to reduce its unfunded liability. Failure to effectively control and eliminate the unfunded liability could result in the Board being unable to meet its existing and future financial commitments to provide worker benefits. In view of the fact that the Board still has a multi-billion-dollar unfunded liability and this liability has increased significantly in the last few years, we feel it necessary to again comment on this issue.

The Board is a statutory corporation created by the *Workplace Safety and Insurance Act, 1997* (Act). Its primary purposes are to provide income support and fund medical assistance to employees injured on the job. Such assistance can be both short or longer term in nature. In situations where an employee's injuries do not permit a return to the workplace, a disability pension may be paid. The Board is also committed to the prevention of workplace injuries and illnesses.

It is important to note that under the Act, funding of the Board's liabilities, including the large unfunded liability, is a future financial obligation of private-sector employers and not of the province. The Board has therefore been classified as a trust fund for provincial accounting purposes. It is not included in the province's consolidated financial statements, although its assets and liabilities are disclosed in the notes to the financial statements.

The Act states that:

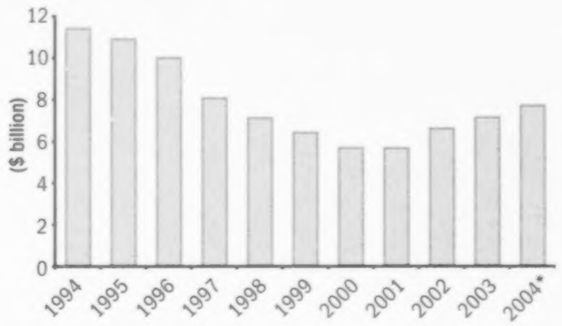
> The Board has a duty to maintain the insurance fund so as not to burden unduly or unfairly any class of Schedule 1 employers [generally all private-sector employers] in future years with payments under the insurance plan in respect of accidents in previous years. (Subsection 96(3))

Notwithstanding this legislative requirement, the assets in the Board insurance fund are substantially less than what is needed to satisfy the estimated lifetime costs of all claims currently in the system—thus producing an unfunded liability.

As illustrated in Figure 1, after having declined for a number of years, the unfunded liability has risen significantly over the past few years. This increase is primarily attributable to a combination of rising benefit costs and a significant reduction in the rate of return on investments in the early 2000s. A reluctance to increase premium rates over this period has also contributed to the rise in the unfunded liability. We understand that this

Figure 1: Workplace Safety and Insurance Board, Closing Unfunded Liability, 1994–2004 (as at December 31)

Source of data: Workplace Safety and Insurance Board Audited Financial Statements



* In 2004, the Board adopted an accounting policy in accordance with new standards set by the Canadian Institute of Chartered Accountants that allow for unrealized gains and losses to be recognized. However, for the purpose of illustrating the trend in the unfunded liability consistently over time, the unfunded liability for 2004 has been adjusted to eliminate the effects of this new accounting policy.

reluctance was driven by the potential impact on employers and employment, and by the fact that Ontario's premium rates are already among the highest in Canada, because of the unfunded liability component.

Concerns about the unfunded liability were also expressed in a May 2004 report initiated by the Ministry of Labour. A consulting firm was engaged to conduct an independent audit of the Board's operations. Although the unfunded liability was not specifically included as an audit objective, the consultants concluded that "addressing the unfunded liability is fundamental to achieving financial stability." They concluded that the Board would have to significantly increase its revenues, from both premiums and investments, and decrease its operating costs to meet its goal of eliminating the unfunded liability by 2014. They further noted that the achievement of administrative and corporate cost efficiencies, while important, would not alone significantly reduce the unfunded liability.

Recently, initiatives have been undertaken by the Board to deal with the growing unfunded liability. In 2005, the Board developed a Funding Framework that formalized the funding strategy of the Board, described the criteria for projecting funding requirements, and set the basis for determining premium rates. The Funding Framework was approved by the Board of Directors in July 2005. Although funding requirements had been reviewed each year as part of the process of setting premium rates for the forthcoming year, the funding strategy itself had not had a major review since 1998. The Funding Framework reconfirmed the Board's commitment to fully fund the system by 2014.

In September 2005, the Board announced that the 2006 average premium rate was to increase 3% from the 2005 premium rate, representing only the second time in the last 10 years that the Board has raised the average rate. The Funding Framework establishes maximum annual increases in premium rates in the range of 3% to 5%. At that time, the Board President stated that "we cannot allow this debt load to be passed on to future generations of employers."

This recent action is an important step in addressing the Board's significant unfunded liability and in meeting the intent of the *Workplace Safety and Insurance Act, 1997* to limit the burden of existing commitments on future employers. Ongoing commitment to the new Funding Framework will be needed if the Board's goal of eliminating the unfunded liability by 2014 is to be achieved.

Other Matter

The Auditor General is required under section 12 of the *Auditor General Act* to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, under section 91 of the *Legislative Assembly Act*, the Auditor General is required to report on any transfers of money between items within the same vote in the Estimates of the Office of the Legislative Assembly.

LEGISLATIVE APPROVAL OF GOVERNMENT EXPENDITURES

Shortly after presenting its budget, the government tables in the Legislature detailed Expenditure Estimates outlining each ministry's spending proposals on a program-by-program basis. The Standing Committee on Estimates reviews selected ministry estimates and presents a report on them to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are reported as such to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of three hours and then voted on.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs as set out in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act* pertaining to the fiscal year ended March 31, 2005 received Royal Assent on December 16, 2004.

Typically, ministry programs require funds before the *Supply Act* is passed, and the Legislature authorizes these payments by means of motions for interim supply. For the 2004/05 fiscal year, the time periods covered by the motions for interim supply and the dates that the motions were agreed to by the Legislature were as follows:

- April 1, 2004 to June 30, 2004—passed March 29, 2004; and
- July 1, 2004 to December 31, 2004—passed June 21, 2004.

SPECIAL WARRANTS

If motions for interim supply cannot be approved because, for instance, the Legislature is not in session, section 7(1) of the *Treasury Board Act, 1991* allows the issue of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council approved by the Lieutenant Governor on the recommendation of the government.

There were no special warrants issued for the fiscal year ended March 31, 2005.

TREASURY BOARD ORDERS

Section 8(1) of the *Treasury Board Act, 1991* allows the Treasury Board to make an Order authorizing expenditures to supplement the amount of any Voted Appropriation that is insufficient to carry out the purpose for which it was made. The Order can be made provided that the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other Voted Appropriations not fully spent in the fiscal year. The Order may be made at any time before the audit of the books of the government of Ontario for the fiscal year is completed.

Figure 2 is a summary of the total value of Treasury Board Orders issued for the past five fiscal years. Figure 3 summarizes Treasury Board Orders for the 2004/05 fiscal year by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. However, we noted that the most recent Orders printed in the *Gazette* were

Figure 2: Total Value of Treasury Board Orders Issued, 2000/01-2004/05

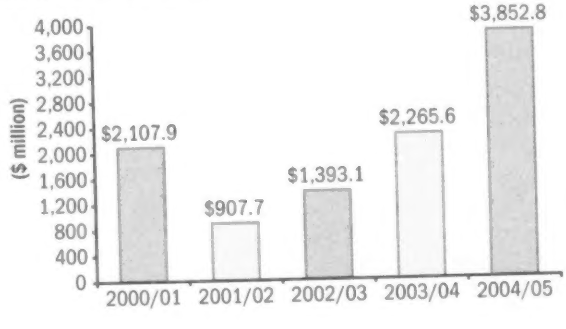


Figure 3: Treasury Board Orders by Month of Issue, 2004/05

Month of Issue	Number	Authorized ($)
July 2004–February 2005	41	406,092,200
March 2005	36	2,415,197,500
April 2005	15	1,003,026,800
June 2005	1	58,500
August 2005	3	28,450,300
Total	**96**	**3,852,825,300**

those that were issued for the 2000/01 fiscal year. A detailed listing of 2004/05 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

EXCEEDED APPROPRIATION

Section 12(2)(f)(ii) of the *Auditor General Act* requires that we report on any cases where essential records were not maintained or the rules and procedures applied were not sufficient to ensure that expenditures were made only as authorized. Based on this year's audit of the summary financial statements, we noted that the actual expenses incurred and charged to the accounts for the fiscal year ended March 31, 2005 exceeded the legislative appropriation for one Vote/Item at the Ministry of Transportation by $8,120. According to the Ministry, this occurred as a result of an oversight on its part in accounting for fiscal year-end accruals for this particular Vote/Item.

TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one Item of the Estimates of the Office of the Assembly to another Item within the same Vote, section 91 of the *Legislative Assembly Act* requires that the Auditor General make special mention of the transfer(s) in the Annual Report.

With respect to the 2004/05 Estimates, there were no transfers made within the Votes of the Office of the Assembly.

UNCOLLECTIBLE ACCOUNTS

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amount due to the Crown that is deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2004/05 fiscal year, receivables of $208.5 million due to the Crown from individuals and non-government organizations were written off (in 2003/04, the comparable amount was $214 million). The major portion of the write-offs related to the following:

- $66.4 million for uncollectible retail sales tax;
- $55.2 million loaned to the Toronto District School Board;
- $45.6 million for uncollectible corporate taxes;
- $7.8 million for uncollectible employer health taxes;
- $6.0 million for uncollectible receivables under the Student Support Program; and
- $5.7 million for uncollectible receivables under the Ontario Disability Support Program.

Volume 2 of the 2004/05 Public Accounts summarizes the write-offs by ministry. All of the above are included, except for the write-off for the Toronto District School Board, which we have been informed will be included in Volume 2 of the 2005/06 Public Accounts.

Under the accounting policies followed in the audited financial statements of the province, a provision for doubtful accounts is recorded against accounts receivable balances. Accordingly, most of the write-offs had already been expensed in the audited financial statements. However, the actual deletion from the accounts required Order-in-Council approval.

Chapter 6

The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario is committed to promoting accountability, economy, efficiency, and effectiveness in government and broader public-sector operations for the benefit of the citizens of Ontario. The Office provides objective information and advice to the Legislative Assembly of Ontario on the results of our independent value-for-money and financial audits and reviews. In so doing, the Office assists the Assembly in holding the government, its administrators, and grant recipients accountable for the quality of their stewardship of public funds and for the achievement of value for money in the delivery of services to the public.

New *Auditor General Act*

The legislation governing the work of the Office included in this Annual Report was the *Audit Act*, which was passed in 1977 and came into force on April 1, 1978. The *Audit Act* was amended with the passage on November 22, 2004 of Bill 18, the *Audit Statute Law Amendment Act*. In addition to the most significant amendment—the expansion of the Office's value-for-money audit mandate to organizations in the broader public sector that receive government grants—the resulting legislation was renamed the *Auditor General Act*, with other corresponding name changes (for example, "Provincial Auditor" to "Auditor General" and "Assistant Provincial Auditor" to "Deputy Auditor General").

Other amendments in Bill 18 included:

- assigning the Auditor General the authority to conduct value-for-money audits of Crown-controlled corporations and their subsidiaries;
- setting the Auditor's term of appointment to a fixed non-renewable period of 10 years (changing the earlier term of serving up to age 65);
- requiring that the Auditor express his or her opinion on whether the consolidated financial statements of Ontario are presented fairly in accordance with appropriate generally accepted accounting principles;
- providing for the collection and use of personal information by the Auditor General.

The effective date of the expanded value-for-money audit mandate was April 1, 2005. Since this start date fell in the middle of our ongoing audit cycle and was not retroactive to cover grants provided before November 30, 2004, we will not be reporting on value-for-money work related to the expanded mandate until our *2006 Annual Report*.

Appointment of New Auditor General

The Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on and with the advice of the Executive Council (the Cabinet). The appointment is made "on the address of the Assembly," meaning that the appointee must be approved by the Legislative Assembly. The *Auditor General Act* also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 7).

Erik Peters, the former Provincial Auditor, retired in September 2003. Jim McCarter, the Assistant Provincial Auditor at that time, became the Acting Provincial Auditor on Mr. Peters' retirement. In fall 2004, the Office of the Legislative Assembly conducted a Canada-wide search for qualified candidates, and the candidates on a short list were interviewed by a selection panel. The panel was chaired by the Speaker of the Legislative Assembly and included the Chair of the Standing Committee on Public Accounts, a member from each of the other two political parties, the Director of Human Resources for the Office of the Legislative Assembly, and a retired former managing partner of a major public accounting firm. The recommendation of the selection committee was put forward, and on December 15, 2004, the appointment of Jim McCarter as Auditor General was approved by the Legislative Assembly.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the *Auditor General Act*, the Office's expenditures relating to the 2004/05 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office and related discussion of results are submitted to the Board and are subsequently required to be tabled in the Legislative Assembly. The audited statements and related discussion of results are presented at the end of this chapter.

Audit Responsibilities

We audit the financial statements of the province and the accounts of many agencies of the Crown. However, most of our work relates to our value-for-money audits of the administration of government programs. Commencing with our 2005/06 value-for-money audit year, that work will also include broader public-sector activities involving government grants and carried out under government policies and legislation. Our responsibilities are set out in the *Auditor General Act* (reproduced in Exhibit 4).

The Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Assembly at any time on any matter that in the opinion of the Auditor General should not be deferred until the

Annual Report. We also assist and advise the Standing Committee on Public Accounts in its review of the Office's Annual Report.

It should be noted that our audit activities include examining the actual administration and execution of the government's policy decisions as carried out by management. However, the Office does not comment on the merits of government policy, since the government is held accountable for policy matters by the Legislative Assembly, which continually monitors and challenges government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

We are entitled to have access to all relevant information and records necessary to the performance of our duties under the *Auditor General Act*. Out of respect for the principle of Cabinet privilege, the Office does not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our auditing and reporting responsibilities under the *Auditor General Act*.

ONTARIO'S CONSOLIDATED FINANCIAL STATEMENTS AND PROGRAMS/ACTIVITIES FUNDED BY TAXPAYERS

The Auditor General, under subsection 9(1) of the *Auditor General Act*, is required to audit the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund, whether held in trust or otherwise. To this end, the Office carries out an annual attest audit to enable the Auditor General to express an opinion on whether the province's consolidated financial statements are fairly presented. As well, the Office carries out cyclical value-for-money audits of programs and activities funded by taxpayers (see the "Value-for-money Audits" and "Attest Audits" sections later in this chapter for details on these two types of audits).

AGENCIES OF THE CROWN AND CROWN-CONTROLLED CORPORATIONS

The Auditor General, under subsection 9(2) of the *Auditor General Act* (Act), is required to audit those agencies of the Crown that are not audited by another auditor. Exhibit 1, Part 1 lists the agencies that were audited during the 2004/05 audit year. Public accounting firms are currently contracted by the Office to audit the financial statements of a number of these agencies on the Office's behalf.

Exhibit 1, Part 2 and Exhibit 2 list the agencies of the Crown and the Crown-controlled corporations, respectively, that were audited by public accounting firms during the 2004/05 audit year. Subsection 9(2) of the Act requires that public accounting firms that are appointed auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General. Under subsection 9(3) of the Act, public accounting firms auditing Crown-controlled corporations are required to deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of their report of their findings and recommendations to management (contained in a management letter).

ADDITIONAL RESPONSIBILITIES

Under section 16 of the *Auditor General Act* (Act), the Auditor General may, by resolution of the Standing Committee on Public Accounts, be required to examine and report on any matter respecting the Public Accounts.

During the period of audit activity covered by this Annual Report (October 2004 to September 2005), the Office was involved in the following assignment under section 16: on April 8, 2004, the Standing Committee on Public Accounts directed the Auditor General to examine the government's Intensive Early Intervention Program for Children with Autism, including addressing three specific issues raised in the motion, and to report his findings and recommendations to the Committee.

The report on this work was submitted to the Committee in early November 2004, and the Committee held a public hearing on the subject on November 18, 2004.

Section 17 of the Act requires that the Auditor General undertake special assignments requested by the Assembly, by the Standing Committee on Public Accounts (by resolution of the Committee), or by a minister of the Crown. However, these special assignments are not to take precedence over the Auditor General's other duties. The Auditor General can decline an assignment referred by a minister if, in his or her opinion, it conflicts with other duties.

Audit Activities

TYPES OF AUDITS

Value-for-money, attest, and compliance audits are the three main types of audits carried out by the Office. The Office generally conducts compliance audit work as a component of its value-for-money and attest audits. The following are brief descriptions of each of these audit types.

Value-for-money Audits

Subclauses 12(2)(f)(iv) and 12(2)(f)(v) of the *Auditor General Act* require that the Auditor General report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of programs. In other words, our value-for-money work assesses the administration of programs, activities, and systems by management, including major information systems. This value-for-money mandate is exercised through the auditing of various ministry and Crown-agency programs, and starting in the 2005/06 audit year, the mandate will also include value-for-money audits of selected grant recipients' activities. We refer to the government bodies and publicly funded entities that we audit as our auditees. Value-for-money audits constitute about two-thirds of the work of the Office. The results of our value-for-money audits performed between October 2004 and September 2005 are reflected in Chapter 3.

It is not part of the Office's mandate to measure, evaluate, or report on the effectiveness of programs or to develop performance measures or standards. These functions are the responsibility of the auditee's management. However, the Office is responsible for reporting instances where it has noted that the auditee has not carried out these functions satisfactorily.

We plan, perform, and report on our value-for-money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. These standards require that we employ adequate processes to maintain the quality, integrity, and value of our work for our client, the Legislative Assembly. Some of these processes and the degree of assurance they enable us to provide are described below.

Selection of Programs and Activities for Audit

Major programs and activities administered by a ministry, an agency, a corporation, or a grant-recipient organization are audited at approximately five-to-seven-year intervals. Various factors are considered in selecting programs and activities for audit each year. These factors include the results of previous audits and related follow-ups; the total revenues or expenditures at risk; the impact of the program or activity on the public; the inherent risk due to the complexity and diversity of operations; recent significant changes in program operations; the significance of possible issues that may be identified by an audit; and the costs of performing the audit in relation to the perceived benefits. Possible issues are identified primarily through a preliminary survey of the auditee and its programs and activities.

We also consider the work completed or planned by the auditee's internal auditors. The relevance, timeliness, and breadth of scope of work done by internal audit can have an impact on the timing, frequency, and extent of our audits. By having access to internal-audit work plans, working papers, and reports, and by relying, to the extent possible, on internal-audit activities, the Office is able to avoid duplication of effort.

Objectives and Assurance Levels

The objective of our value-for-money work is to meet the requirements of subclauses 12(2)(f)(iv) and 12(2)(f)(v) of the *Auditor General Act* by identifying and reporting significant value-for-money issues. We also include in our reports recommendations for improving controls, obtaining better value for money, and achieving legislated objectives. Management responses to our recommendations are reproduced in our reports.

The specific objective(s) for each audit or review conducted are clearly stated in the "Audit Objective(s) and Scope" section of each audit report—that is, each value-for-money section of Chapter 3.

In almost all cases, our work is planned and performed to provide an audit level of assurance. An audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures, and transactions; confirming facts with independent sources; and, where necessary, obtaining expert assistance and advice in highly technical areas.

An audit level of assurance is the highest reasonable level of assurance that the Office can provide concerning the subject matter. Absolute assurance that all significant matters have been identified is not attainable for various reasons, including the limitations of testing as a means of gathering information from which to draw conclusions; the inherent limitations of control systems (for example, management/staff often have some ability to circumvent the controls over a process or procedure); the fact that much of the evidence available for concluding on our objectives is persuasive rather than conclusive in nature; and the need to exercise professional judgment in, for example, interpreting information.

Infrequently, for reasons such as the nature of the program or activity, limitations in the *Auditor General Act*, or the prohibitive cost of providing a high level of assurance, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information it provides; and only limited examination and testing of systems, procedures, and transactions.

Criteria

In accordance with professional standards for assurance engagements, work is planned and performed to provide a conclusion on the objective(s) set for the work. A conclusion is reached and observations and recommendations are made by evaluating the administration of a program or activity against suitable criteria. Suitable criteria are identified at the planning stage of our audit or review by extensively researching sources such as recognized bodies of experts; applicable laws, regulations, and other authorities; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; and applicable criteria successfully applied in other audits or reviews.

To further ensure their suitability, the criteria being applied are fully discussed with the senior management responsible for the program or activity at the planning stage of the audit or review.

Communication with Senior Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the audit or review. Before beginning the work, our staff meet with management to discuss the objective(s) and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with senior management. Management provides written responses to our recommendations, and these are discussed and incorporated into the final draft report. The Auditor General finalizes the draft report (on which the Chapter 3 section of the Annual Report will be based) with the deputy minister or head of the agency, corporation, or grant-recipient organization responsible, after which the report is published in the Annual Report.

Attest Audits

Attest (financial statement) audits are designed to permit the expression of the auditor's opinion on a set of financial statements in accordance with generally accepted auditing standards. The opinion states whether the operations and financial position of the entity, as reflected in its financial statements, have been fairly presented in compliance with appropriate accounting policies, which in most cases are Canadian generally accepted accounting principles. The Office conducts attest audits of the financial statements of the province and of numerous Crown agencies on an annual basis.

With respect to reporting on attest audits of agencies, agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible. Our Office also provides copies of the audit opinions and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

In instances where matters that require improvements by management have been noted during the course of an agency attest audit, a draft management letter is prepared, discussed with senior management, and revised as necessary to reflect the results of the discussion. Following clearance of the draft management letter and the response of the agency's senior management, a final management letter is prepared and, if deemed necessary, issued to the agency head.

Compliance Audits

Subsection 12(2) of the *Auditor General Act* also requires that the Auditor General report observed instances where:

- accounts were not properly kept or public money was not fully accounted for;
- essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection, and proper allocation of revenue or to ensure that expenditures were made only as authorized; or
- money was expended other than for the purposes for which it was appropriated.

Accordingly, as part of our value-for-money work, we:

- identify provisions in legislation and authorities that govern the programs, activities, agencies, corporations, or grant-recipient organizations being examined or that the management is responsible for administering; and
- perform such tests and procedures as we deem necessary to obtain reasonable assurance that

management has complied with legislation and authorities in all significant respects.

SPECIAL ASSIGNMENTS

Under sections 16 and 17 of the *Auditor General Act*, the Auditor General has additional reporting responsibilities relating to special assignments for the Legislative Assembly, the Standing Committee on Public Accounts, or a minister of the Crown. At the conclusion of such work, the Auditor General normally reports to the authority that initiated the assignment.

CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and management letters that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Auditor General Act*, are not required to be laid before the Assembly or any of its committees. As well, because our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, our reports and audit working papers, which include all information obtained during the course of an audit from the auditee, cannot be accessed from our Office, thus further ensuring confidentiality.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles, and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence, and integrity in their work. The Code provides the reasoning for these expectations and further describes the Office's responsibilities to the Legislative Assembly, the public, and our audit entities. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration.

Office Organization and Personnel

The Office is organized into portfolio teams—a framework that attempts to align related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the portfolio Directors, and the Manager of Human Resources make up the Office's Senior Management Committee.

Canadian Council of Legislative Auditors

This year, Ontario hosted the 33rd annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Niagara-on-the-Lake, Ontario, from August 21 to 23, 2005. This was only the second time that the conference was not held in the capital city of the hosting jurisdiction. This annual gathering has, for a number of years, been jointly held with the annual conference of the Canadian Council of Public Accounts Committees. It brings

Figure 1: Office Organization, September 30, 2005

Auditor General

Jim McCarter

Deputy Auditor General

Gary Peall

Administration

John Sciarra, Executive Assistant
Christine Wu, Administrative Assistant
Nicole Dirickx, Bilingual Receptionist
Sohani Myers, Administrative Clerk

Information Technology

Peter Lee, Systems Specialist
Shams Ali, Systems Officer

Communications

Andréa Vanasse, Communications Co-ordinator
Tiina Randoja, Communications Officer
Mariana Green, Desktop Publisher/Internet Communications Assistant

Professional Practices

David Lee, Manager

Human Resources and Accounting

Annemarie Wiebe, Manager
Shanta Persaud, Financial Officer/Payroll and Employee Benefits
Elizabeth Derco, Accounts Payable/Accounting Officer

Audit Porfolios and Staff

Community and Social Services and Revenue

Walter Bordne, Director
Wendy Cumbo, Manager
Denise Young, Manager

Constantino De Sousa
Mark Hancock
Isabella Ho
Maria Molotkova
Angela Schieda
Aldora Sequeira
Nick Stavropoulos
Dominic Wun

Crown Agencies and Transportation

John McDowell, Director

Walter Allan
Christina Arnold
Jasmine Chen
Orianna Rago
Mary Romano

Economic Development and Government Services

Gerard Fitzmaurice, Director
Vanna Gotsis, Manager
Rick MacNeil, Manager
Tony Tersigni, Manager

Mark Burnes
Maggie Dong
Natasha Dossa
Kandy Fletcher
Roger Munroe
Myuran Palasandiran
Catherine Porter
Mark Smith
Ellen Tepelenas

Education, Culture, and Municipal Affairs

Nick Mishchenko, Director
Michael Brennan, Manager
Fraser Rogers, Manager

Ariane Chan
Zahra Jaffer
Emanuel Tsikritsis
Dora Ulisse
Brian Wanchuk

Health

Susan Klein, Director
Laura Bell, Manager
Naomi Herberg, Manager
John Landerkin, Manager

Corinne Berinstein
Sally Chang
Tom Chatzidimos
Lukasz Markowski
Sheila Mistry
Michael Radford
Ellen Schraa
Petronela Voinicu
Oksana Wasylyk

Justice and Regulatory

Andrew Cheung, Director
Rudolph Chiu, Manager
Vince Mazzone, Manager

Izabela Beben
Teresa Carello
Kim Cho
Howard Davy
Linda Fung
Rachel Ho
Malgorzata Luc
Pasha Sidhu
Vivian Sin
Celia Yeung

Public Accounts, Finance, and Information Technology

Paul Amodeo, Director
Gus Chagani, Manager
Rita Mok, Manager

Sandy Chan
Suzanna Chan
Cherry Chau
Marcia DeSouza
Ashutosh Dutta
Gawah Mark
Gigi Yip

together legislative auditors and members of the Standing Committees on Public Accounts from the federal government and the provinces/territories and provides a useful forum for sharing ideas and exchanging information. This year's conference was an overwhelming success, with a record number of attendees from across Canada.

International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences with them. During the audit year covered by this report, the Office received delegations of legislators/parliamentarians and auditors from the Russian Federation and the Republic of Korea (commonly known as South Korea).

Financial Accountability

The following highlights and financial statements outline the Office's financial results for the 2004/05 fiscal year.

FINANCIAL HIGHLIGHTS

In the face of increased market demand and compensation for professional auditors in the private and broader public sectors, it was a challenge to maintain our value-for-money output and the quality of our work. Nevertheless, the hard work and dedication of our staff resulted in 14 value-for-money sections in this year's report—the same number as in last year's—as well as successful performance of attest audit responsibilities that, given the adoption of accrual accounting for the first time by many government agencies and offices, required substantially more audit time.

Our overall expenses increased by less than 2% over last year and were almost 11% under budget. The combination of difficulties retaining and replacing experienced staff and the later-than-anticipated passage of the *Government Advertising Act, 2004* and the *Audit Statute Law Amendment Act, 2004* contributed to our spending about $1.2 million less than planned. This continued the historical trend of under-spending our approved budget. Over the past 10 years, the Office has returned over $5.4 million in unspent appropriations due almost entirely to challenges in hiring and retaining a sufficient pool of qualified professional staff in the extremely competitive Toronto job market. Even though our approved staff complement was increased to 95 from 90 for the 2004/05 fiscal year, we were unable to fill all positions or to begin to increase our staff numbers to meet our expanded value-for-money audit mandate. In fact, this year's average number of staff (87) remained about the same as in 2004. Consequently, our salary and benefit expenses were almost 14% under budget.

In recent years, the market value of qualified, experienced accountants and auditors has increased, partly because several high-profile corporate failures resulted in new accounting, auditing, and quality-control standards, which in turn created a greater demand for professional accountants and auditors. Our ability to successfully recruit staff in such a market is severely hampered by the requirement of the *Auditor General Act* that the salary ranges we can offer must be comparable to the salary ranges of similar positions in the government. They therefore remain uncompetitive with the salaries that the private sector and the broader public sector can offer for professional accountants. Having the flexibility to offer salaries that are competitive relative to those offered in the marketplace will be even more critical if we are to successfully achieve the goals and expectations resulting from our newly expanded mandate.

Overall, our non-payroll expenses were essentially unchanged from the 2003/04 fiscal year, as increases in the costs of professional services, travel and communications, and supplies and equipment were largely offset by reductions in expenses relating to statutory requirements. Specifically:

- Professional services expenses increased over 10% because the costs of acquiring contracted audit services rose due to the increased demand and compensation for experienced auditors in the marketplace.
- Travel and communication costs rose 40%, primarily due to the more extensive travel requirements of our value-for-money audits in the 2005 audit year relative to those undertaken in 2004, as well as to the increased cost for enhancing secure remote access to our network for our staff.
- Statutory expenses were significantly lower because:
  - they did not include post-employment benefits paid to retiring Provincial Auditor Erik Peters; and
  - the Auditor General's salary became a statutory expense only upon the official appointment of the Auditor General on December 15, 2004.

  Therefore, statutory expenses in 2005 include only three and a half months of the Auditor General's salary, together with some expert assistance costs associated with implementing our responsibilities under the new *Government Advertising Act, 2004*.

FINANCIAL STATEMENTS

Office of the
Auditor General
of Ontario

AUDI ALTERAM PARTEM

Bureau du
vérificateur général
de l'Ontario

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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416)327-2381 Fax: (416) 327-9862

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General of Ontario for the year ended March 31, 2005 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian generally accepted accounting principles.

Management has maintained a system of internal controls including an organizational structure that effectively segregates duties and provides for appropriate delegation of authority. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded and financial information is reliable and available on a timely basis.

The financial statements have been audited by the firm of Allen & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Jim McCarter, CA
Auditor General

GPeall

Gary R. Peall, CA
Deputy Auditor General

July 22, 2005

ALLEN & MILES

ALLEN & MILES LLP, Chartered Accountants
220 Bay Street, 9th Floor, Toronto, Canada M5J 2W4
Tel: (416) 862-8801 • Fax: (416) 862-2136
Email: toronto@allenmiles.ca • Website: www.allenmiles.ca

AUDITORS' REPORT TO THE BOARD OF INTERNAL ECONOMY OF THE LEGISLATIVE ASSEMBLY OF ONTARIO

We have audited the statement of financial position of the Office of the Auditor General of Ontario as at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Office of the Auditor General of Ontario. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2005 and the results of its operations and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information is unaudited and not considered as part of the financial statements on which we have expressed our opinion.

Allen & Miles LLP

Chartered Accountants

Toronto, Canada
July 22, 2005

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Statement of Financial Position
As at March 31, 2005

	2005 $	2004 $
Assets		
Current		
Cash	225,864	22,621
Due from Consolidated Revenue Fund	340,368	500,126
	566,232	522,747
Capital Assets (Note 3)	278,435	288,700
Total assets	844,667	811,447
Liabilities		
Accounts payables and accrued liabilities	566,232	522,747
Net assets		
Investment in capital assets	278,435	288,700
Total liabilities and net assets	844,667	811,447

Commitment (Note 5)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

Jim McCarter
Auditor General

Gary Peall
Deputy Auditor General

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Statement of Operations and Changes in Net Assets
For the Year Ended March 31, 2005

	2005 Budget $	2005 Actual $	2004 Actual $
Revenue			
Consolidated Revenue Fund			
Voted appropriation (Note 7)	10,916,800	10,914,000	9,867,800
Less: returned to the Province	—	(1,200,536)	(406,492)
Net revenue	10,916,800	9,713,464	9,461,308
Expenses			
Salaries and wages	6,723,800	5,986,968	5,804,543
Employee benefits (Note 4)	1,552,400	1,146,166	1,138,786
Office rent	1,020,000	891,105	914,006
Professional and other services	873,900	877,415	793,965
Amortization of capital assets	187,800	207,234	221,236
Travel and communication	188,400	289,964	204,900
Training and development	155,500	117,509	116,262
Supplies and equipment	48,000	100,016	57,394
Transfer payment: CCAF-FCVI Inc.	50,000	50,000	50,000
Statutory expenses: The *Auditor General Act*	117,000	57,352	233,551
Total expenses	10,916,800	9,723,729	9,534,643
Deficiency of revenue over expenses	—	(10,265)	(73,335)
Net assets, beginning of year		288,700	362,035
Net assets, end of year		278,435	288,700

See accompanying notes to financial statements.

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Statement of Cash Flows
For the Year Ended March 31, 2005

	2005 $	2004 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Deficiency of revenue over expenses	(10,265)	(73,335)
Amortization of capital assets	207,234	221,236
	196,969	147,901
Changes in non-cash working capital		
Due from Consolidated Revenue Fund	159,758	(224,130)
Accounts payable and accrued liabilities	43,485	232,982
	203,243	8,852
Investing activities		
Purchase of capital assets	(196,969)	(147,901)
Net increase in cash position	203,243	8,852
Cash position, beginning of year	22,621	13,769
Cash position, end of year	225,864	22,621

See accompanying notes to financial statements.

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Notes to Financial Statements
March 31, 2005

1. NATURE OF OPERATIONS

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Accrual Basis
These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(b) Voted Appropriations
The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the approved appropriation was prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting due to the capitalization and amortization of capital assets.

(c) Capital Assets
Capital assets are recorded at historical cost less accumulated amortization. Amortization of capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years

The cost and accumulated amortization of fully amortized assets is removed from the accounts in the year after the asset has been fully amortized.

(d) Pension Expense
Pension costs included in these statements consist of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Notes to Financial Statements
March 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Net Assets
Net assets represent the accumulated cost of capital assets less accumulated amortization and disposals. They represent the carrying value of capital assets that will be used to provide services in future years.

(f) Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CAPITAL ASSETS

	2005			2004
	Cost ($)	Accumulated Amortization ($)	Net Book Value ($)	Net Book Value ($)
Computer hardware	629,630	422,451	207,179	201,596
Computer software	223,812	152,556	71,256	87,104
	853,442	575,007	278,435	288,700

The Office's other major capital assets, including furniture and fixtures and leasehold improvements, were acquired many years ago and consequently were fully amortized and written off in prior years.

4. OBLIGATION FOR EMPLOYEE FUTURE BENEFITS

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Audit Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

(a) Pension Benefits
The Office provides pension benefits for its full-time employees through participation in the Public Service Pension Fund (PSPF), which is a multi-employer defined benefit plan established by the Province of Ontario. The Office's participation in this plan is accounted for as a defined contribution plan as the Office has insufficient information to apply defined benefit plan accounting. The pension expense represents the Office's contributions to the plan during the fiscal year. The Office's contributions related to the pension plan for the year were $472,729 (2004 - $493,169) and are included in employee benefits in the Statement of Operations and Changes in Net Assets.

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Notes to Financial Statements
March 31, 2005

4. OBLIGATION FOR EMPLOYEE FUTURE BENEFITS (CONTINUED)

(b) Non-Pension Post-Employment Benefits
The costs of any severance and unused vacation entitlements earned by employees are recognized when payments are required for eligible employees upon termination of their employment. These costs for the year amounted to $22,147 (2004 – $76,857) and are included in employee benefits in the Statement of Operations and Changes in Net Assets. The cost of other non-pension post-retirement benefits was funded by the Ontario Management Board Secretariat and accordingly is not included in these financial statements.

5. COMMITMENT

The Office has an operating lease to rent premises for an 11-year period, which commenced November 1, 2000. The minimum rental commitment for the next five years is as follows:

	$
2005-06	493,100
2006-07	517,300
2007-08	527,600
2008-09	527,600
2009-10	527,600

6. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of $100,000 in calendar year 2004.

Name	Position	Salary ($)	Taxable Benefits ($)
McCarter, Jim	Auditor General	172,424	293
Peall, Gary	Deputy Auditor General (Acting)	128,674	221
Amodeo, Paul	Director	113,221	195
Bordne, Walter	Director	112,838	195
Cheung, Andrew	Director	113,432	195
Fitzmaurice, Gerard	Director	112,838	195
McDowell, John	Director	112,717	195
Mishchenko, Nicholas	Director	112,432	195
Klein, Susan	Director (Acting)	101,523	173

OFFICE OF THE AUDITOR GENERAL OF ONTARIO

Notes to Financial Statements
March 31, 2005

7. RECONCILIATION TO PUBLIC ACCOUNTS VOLUME 1 BASIS OF PRESENTATION

The Office's Statement of Expenses and Assets by Program presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the Province's financial statements, under which purchases of computer hardware and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2005 Budget* ($)	2005 Actual ($)	2004 Actual ($)
Total expenses per Public Accounts Volume 1	10,914,000	9,713,464	9,461,308
Less: purchase of capital assets	(185,000)	(196,969)	(147,901)
Add: amortization of capital assets	187,800	207,234	221,236
Total expenses per audited financial statements	10,916,800	9,723,729	9,534,643

*The Office's budget was originally submitted and approved at $11,101,800 ($10,729,000 for operating expenses, and $372,800 for capital expenses) which included an amount for amortization of capital assets of $187,800. Actual expenditures are presented on the modified cash basis in Volume 1.

Chapter 7

The Standing Committee on Public Accounts

Appointment and Composition of the Committee

The Standing Orders of the Legislature provide for the appointment of an all-party Standing Committee on Public Accounts. The Committee is appointed for the duration of the Parliament (that is, the period from the opening of the first session immediately following a general election to the end of a government's term and the calling of another election).

The membership of the Committee reflects proportionately the representation of parties in the Legislature. All members except for the Chair are entitled to vote on motions; the Chair's vote is restricted to the breaking of a tie.

In accordance with the Standing Orders, a Standing Committee on Public Accounts was appointed on December 2, 2003, for the duration of the 38th Parliament. The membership of the Committee when the House adjourned for the summer recess on June 13, 2005 was as follows:

Norm Sterling, Chair, Progressive Conservative
Julia Munro, Vice-chair, Progressive Conservative
Laurel Broten, Liberal
Jim Flaherty, Progressive Conservative
Shelley Martel, New Democrat
Bill Mauro, Liberal
Richard Patten, Liberal
Liz Sandals, Liberal
David Zimmer, Liberal

Role of the Committee

The Committee examines, assesses, and reports to the Legislature on a number of issues, including the economy and efficiency of government operations; the effectiveness of programs in achieving their objectives; controls over assets, expenditures, and the assessment and collection of revenues; and the reliability and appropriateness of information in the Public Accounts.

In fulfilling this role, pursuant to its terms of reference in the Standing Orders of the Assembly, the Committee reviews the Auditor General's Annual Report and the Public Accounts and reports to the Legislature its observations, opinions, and recommendations. Under the Standing Orders, the documents are deemed to have been permanently referred to the Committee as they become available.

As well, under sections 16 and 17 of the *Auditor General Act*, the Committee may request the Auditor General to undertake a special assignment in an area of interest to the Committee.

AUDITOR GENERAL'S ADVISORY ROLE WITH THE COMMITTEE

In accordance with section 16 of the *Auditor General Act*, the Auditor General and senior staff attend committee meetings at which the Committee reviews the Auditor General's Annual Report and the Public Accounts and assist the Committee in planning its agenda.

Committee Procedures and Operations

GENERAL

The Committee meets weekly when the Legislature is sitting. At times, the Committee also meets during the summer and winter when the Legislature is not sitting. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of committee reports. All public committee proceedings are recorded in Hansard (the official verbatim report of debates in the House, speeches, other proceedings in the Legislature, and all open-session sittings of standing and select committees).

The Committee selects matters from the Auditor General's Annual Report and the Public Accounts for hearings. The Auditor General, along with the Committee's researcher, briefs the Committee on these matters, and the Committee then requests senior officials from the auditee to appear and respond to questions at the hearings. Since the Auditor General's Annual Report and the Public Accounts deal with administrative and financial rather than policy matters, ministers rarely attend. Once the hearings are completed, the Committee reports its comments and recommendations to the Legislature.

The Committee also follows up on when and how those ministries and Crown agencies not selected for detailed review will address the concerns raised in the Auditor General's Annual Report. This process enables each auditee to update the Committee on activities undertaken since the completion of the audit, particularly any initiatives taken to address the Auditor General's recommendations.

MEETINGS HELD

The Committee was very active and met 16 times during the October 2004–September 2005 period to review the following items from the Auditor's *2003* and *2004 Annual Reports* and to write reports thereon.

Auditor's *2004 Annual Report*

- Ministry of the Attorney General—Office of the Public Guardian and Trustee;
- Ministry of the Environment—Air Quality Program;
- Ministry of the Environment—Groundwater Program;
- Ministry of Health and Long-Term Care—Independent Health Facilities;
- Ministry of Labour—Employee Rights and Responsibilities Program;
- Ontario Media Development Corporation and Ministries of Culture and Finance—Media Tax Credits;
- Ministry of Transportation—Maintenance of the Provincial Highway System; and
- Follow-up of the recommendations contained in the *2002 Annual Report*—Ministry of Health and Long-Term Care—Long-Term Care Facilities.

Auditor's *2003 Annual Report*

- Ministry of Education—Curriculum Development and Implementation;
- Ministry of Enterprise, Opportunity and Innovation—Science and Technology; and
- Ministry of the Environment—Environet.

REQUEST FOR SPECIAL AUDIT

On April 8, 2004, the Standing Committee on Public Accounts directed the Auditor to examine the government's Intensive Early Intervention Program for Children with Autism, including addressing three specific issues raised in the motion, and to report his findings and recommendations to the Committee.

The Auditor's report on this motion was the subject of a hearing by the Committee on November 18, 2004.

Reports of the Committee

GENERAL

The Committee issues its reports to the Legislature. These reports summarize the information reviewed by the Committee during its meetings, together with comments and recommendations.

All committee reports are available through the Clerk of the Committee (or online at www.ontla.on.ca/committees/reports.htm), thus providing the public with full access to the findings and recommendations of the Committee.

After the Committee tables its report in the Legislative Assembly, it requests that ministries or agencies respond to each recommendation either within 120 days or within a time frame stipulated by the Committee.

During the period from October 2004 to September 2005, the Committee submitted the following reports to the Legislative Assembly:

- *Air Quality Program;*
- *Curriculum Development and Implementation;*
- *Employment Rights and Responsibilities Program;*
- *Environet;*
- *Independent Health Facilities;*
- *Maintenance of the Provincial Highway System;* and
- *Science and Technology.*

FOLLOW-UP OF RECOMMENDATIONS MADE BY THE COMMITTEE

The Clerk of the Committee is responsible for following up on the actions taken on the Committee's recommendations by ministries or agencies. The Office of the Auditor General reviews responses from ministries and agencies and, in subsequent audits, follows up on reported actions taken.

OTHER COMMITTEE ACTIVITIES

Canadian Council of Public Accounts Committees

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial, and territorial public accounts committees from across Canada. CCPAC meets at the same time and place as the Canadian Council of Legislative Auditors (CCOLA) to provide an opportunity to discuss issues of mutual interest. The 26th annual meeting of CCPAC was hosted by Ontario and was held in Niagara-on-the-Lake, Ontario, from August 21 to 23, 2005.

The 2005 joint session with CCOLA was on the subject of a research project on Parliamentary Oversight—Public Accounts Committees and Relationships being conducted by the Canadian Comprehensive Auditing Foundation.

Exhibit 1

Agencies of the Crown

1. Agencies whose accounts are audited by the Auditor General

AgriCorp
Algonquin Forestry Authority
Cancer Care Ontario
Centennial Centre of Science and Technology
Chief Election Officer, *Election Finances Act*
Election Fees and Expenses, *Election Act*
Financial Services Commission of Ontario
Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat, and Canola
Investor Education Fund, Ontario Securities Commission
Legal Aid Ontario
Liquor Control Board of Ontario
Livestock Financial Protection Board, Fund for Livestock Producers
Northern Ontario Heritage Fund Corporation
North Pickering Development Corporation
Office of the Assembly
Office of the Children's Lawyer
Office of the Environmental Commissioner
Office of the Information and Privacy Commissioner
Office of the Ombudsman
Ontario Clean Water Agency (December 31)*
Ontario Development Corporation
Ontario Educational Communications Authority
Ontario Electricity Financial Corporation
Ontario Energy Board
Ontario Exports Inc.
Ontario Financing Authority
Ontario Food Terminal Board
Ontario Heritage Foundation
Ontario Housing Corporation (December 31)*
Ontario Immigrant Investor Corporation
Ontario Media Development Corporation
Ontario Northland Transportation Commission (December 31)*
Ontario Place Corporation
Ontario Racing Commission
Ontario Realty Corporation
Ontario Securities Commission
Ontario Strategic Infrastructure Financing Authority
Ontario SuperBuild Corporation
Ontario Tourism Marketing Partnership Corporation
Owen Sound Transportation Company Limited
Pension Benefits Guarantee Fund, Financial Services Commission of Ontario
Province of Ontario Council for the Arts
Provincial Judges Pension Fund, Provincial Judges Pension Board
Public Guardian and Trustee for the Province of Ontario
Toronto Area Transit Operating Authority
TVOntario Foundation

Note:

* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

2. Agencies whose accounts are audited by another auditor under the direction of the Auditor General

Motor Vehicle Accident Claims Fund
Niagara Parks Commission (October 31)*
Ontario Mental Health Foundation
St. Lawrence Parks Commission
Workplace Safety and Insurance Board (December 31)*

Note:

* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Exhibit 2

Crown-controlled Corporations

Corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers, and other related documents

Access Centre for Community Care in Lanark, Leeds and Grenville
Access Centre for Hastings and Prince Edward Counties
Algoma Community Care Access Centre
Art Gallery of Ontario Crown Foundation
Baycrest Hospital Crown Foundation
Board of Funeral Services
Brant Community Care Access Centre
Brock University Foundation
Canadian Opera Company Crown Foundation
Canadian Stage Company Crown Foundation
Carleton University Foundation
Chatham/Kent Community Care Access Centre
Cochrane District Community Care Access Centre
Community Care Access Centre (CCAC) – Oxford
Community Care Access Centre for Huron
Community Care Access Centre for Kenora and Rainy River Districts
Community Care Access Centre for the Eastern Counties
Community Care Access Centre Niagara
Community Care Access Centre of Halton
Community Care Access Centre of London and Middlesex
Community Care Access Centre of Peel
Community Care Access Centre of The District of Thunder Bay
Community Care Access Centre of Waterloo Region
Community Care Access Centre of York Region
Community Care Access Centre Perth County
Community Care Access Centre Simcoe County
Community Care Access Centre Timiskaming
Community Care Access Centre Wellington-Dufferin
Deposit Insurance Corporation of Ontario
Durham Access to Care
East York Access Centre for Community Services
Education Quality and Accountability Office
Elgin Community Care Access Centre
Etobicoke and York Community Care Access Centre
Foundation at Queen's University at Kingston
Greater Toronto Transit Authority
Grey-Bruce Community Care Access Centre
Haldimand-Norfolk Community Care Access Centre
Haliburton, Northumberland and Victoria Long-Term Care Access Centre
Hamilton Community Care Access Centre
Hydro One Inc.
Kingston, Frontenac, Lennox and Addington Community Care Access Centre
Lakehead University Foundation
Manitoulin-Sudbury Community Care Access Centre
McMaster University Foundation
McMichael Canadian Art Collection
Metropolitan Toronto Convention Centre Corporation

Mount Sinai Hospital Crown Foundation
National Ballet of Canada Crown Foundation
Near North Community Care Access Centre
North York Community Care Access Centre
North York General Hospital Crown Foundation
Ontario Family Health Network
Ontario Foundation for the Arts
Ontario Lottery and Gaming Corporation
Ontario Mortgage Corporation
Ontario Municipal Employees Retirement Board
Ontario Pension Board
Ontario Power Generation Inc.
Ontario Trillium Foundation
Ottawa Community Care Access Centre
Ottawa Congress Centre
Renfrew County Community Care Access Centre
Royal Botanical Gardens Crown Foundation
Royal Ontario Museum
Royal Ontario Museum Crown Foundation
Sarnia/Lambton Community Care Access Centre
Scarborough Community Care Access Centre
Science North
Shaw Festival Crown Foundation
Smart Systems for Health Agency
Stadium Corporation of Ontario Limited
St. Clair Parks Commission
Stratford Festival Crown Foundation
Sunnybrook Hospital Crown Foundation
The Peterborough Community Access Centre Incorporated
Toronto Community Care Access Centre
Toronto East General Hospital Crown Foundation
Toronto Hospital Crown Foundation
Toronto Islands Residential Community Trust Corporation
Toronto Symphony Orchestra Crown Foundation
Trent University Foundation
University of Guelph Foundation
University of Ottawa Foundation
University of Windsor Foundation
Walkerton Clean Water Centre
Waterfront Regeneration Trust Agency
Windsor/Essex Community Care Access Centre
Women's College and Wellesley Central Crown Foundation

Notes:

Changes during the 2004/05 year:

Addition:

Walkerton Clean Water Centre

Deletions:

Grand River Hospital Crown Foundation
St. Michael's Hospital Crown Foundation

Exhibit 3

Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Management Board of Cabinet authorizing payments in excess of appropriations, stating the date of each order, the amount authorized, and the amount expended. These are outlined in the following table.

Amounts Authorized and Expended Thereunder Year Ended March 31, 2005

Ministry	Date of Order	Authorized ($)	Expended ($)
Agriculture and Food	Oct. 14, 2004	7,500,000	7,500,000
	Nov. 18, 2004	83,500,000	83,500,000
	Nov. 18, 2004	20,000,000	20,000,000
	Dec. 2, 2004	3,584,000	3,584,000
	Jan. 19, 2005	4,000,000	4,000,000
	Mar. 15, 2005	79,000,000	79,000,000
	Mar. 22, 2005	35,000,000	35,000,000
	Apr. 7, 2005	45,376,000	42,753,900
		277,960,000	**275,337,900**
Attorney General	Aug. 26, 2004	23,860,100	23,860,100
	Dec. 2, 2004	9,497,000	269,417
	Feb. 10, 2005	6,795,800	5,671,168
	Mar. 24, 2005	5,125,600	2,843,542
		45,278,500	**32,644,227**
Children and Youth Services	Dec. 8, 2004	3,900,000	–
	Jan. 27, 2005	50,000,000	50,000,000
	Mar. 10, 2005	10,597,900	–
	Mar. 15, 2005	4,000,000	–
	Mar. 31, 2005	42,790,100	41,719,415
		111,288,000	**91,719,415**
Citizenship and Immigration	Apr. 20, 2005	**2,599,200**	**2,099,683**

Ministry	Date of Order	Authorized ($)	Expended ($)
Community and Social Services	Oct. 28, 2004	1,500,000	–
	Dec. 2, 2004	2,500,000	–
	Feb. 24, 2005	57,500,000	49,963,932
	Mar. 31, 2005	21,153,100	18,661,314
	Apr. 7, 2005	2,629,500	–
		85,282,500	**68,625,246**
Community Safety and Correctional Services	July 15, 2004	79,900	–
	Dec. 2, 2004	1,200,000	–
	Dec. 2, 2004	2,700,800	1,028,712
	Dec. 8, 2004	880,000	880,000
	Jan. 27, 2005	520,000	520,000
	Mar. 15, 2005	30,000,000	30,000,000
	Mar. 24, 2005	18,771,500	2,008,579
	Apr. 20, 2005	1,450,000	–
	Aug. 17, 2005	3,874,700	2,046,723
		59,476,900	**36,484,014**
Consumer and Business Services	Aug. 12, 2004	6,141,600	1,868,510
	Sep. 16, 2004	5,560,000	5,560,000
	Jan. 19, 2005	1,890,000	1,890,000
	Mar. 31, 2005	2,244,800	1,995,155
	June 16, 2005	58,500	42,501
		15,894,900	**11,356,166**
Culture	Mar. 10, 2005	389,900	389,900
	Mar. 15, 2005	10,000,000	–
	Mar. 31, 2005	6,535,000	5,952,420
	Apr. 20, 2005	690,000	–
		17,614,900	**6,342,320**
Economic Development and Trade	Mar. 15, 2005	10,000,000	10,000,000
	Mar. 22, 2005	16,500,000	16,500,000
	Apr. 20, 2005	11,480,000	11,207,717
		37,980,000	**37,707,717**
Education	Mar. 31, 2005	25,000,000	21,949,225
	Apr. 7, 2005	2,884,500	95,741
		27,884,500	**22,044,966**
Energy	Aug. 27, 2004	**5,000,000**	**–**

Exhibit 3

Ministry	Date of Order	Authorized ($)	Expended ($)
Finance	Aug. 26, 2004	19,500,000	19,500,000
	Mar. 10, 2005	200,000,000	200,000,000
	Mar. 22, 2005	8,000,000	7,410,222
		227,500,000	**226,910,222**
Health and Long-Term Care	Mar. 15, 2005	234,200,000	194,200,937
	Mar. 24, 2005	615,285,600	525,339,866
	Apr. 7, 2005	382,276,200	375,056,316
	Apr. 20, 2005	4,100,000	–
		1,235,861,800	**1,094,597,119**
Intergovernmental Affairs	Dec. 30, 2004	**5,000,000**	**4,471,539**
Labour	Mar. 24, 2005	**300,000**	**56,144**
Management Board Secretariat	Mar. 10, 2005	133,089,100	–
	Mar. 15, 2005	19,000,000	19,000,000
	Mar. 24, 2005	185,389,100	147,038,820
	Apr. 20, 2005	233,977,900	–
	Apr. 21, 2005	241,000,000	193,567,748
		812,456,100	**359,606,568**
Municipal Affairs and Housing	July 21, 2004	5,000,000	5,000,000
	Aug. 26, 2004	3,500,000	3,500,000
	Oct. 28, 2004	2,680,000	2,680,000
	Nov. 4, 2004	13,000,000	13,000,000
	Dec. 2, 2004	701,100	701,100
	Feb. 16, 2005	5,000,000	5,000,000
	Feb. 24, 2005	38,792,900	38,637,509
	Mar. 10, 2005	25,000,000	25,000,000
	Mar. 10, 2005	15,662,000	3,759,900
	Mar. 22, 2005	15,000,000	12,781,616
	Mar. 24, 2005	25,000,000	22,772,333
	Mar. 31, 2005	10,475,600	9,970,690
		159,811,600	**142,803,148**
Northern Development and Mines	Dec. 2, 2004	630,000	630,000
	Dec. 2, 2004	400,000	400,000
	Feb. 10, 2005	4,175,000	2,945,874
	Feb. 24, 2005	880,700	204,135
		6,085,700	**4,180,009**
Office of Francophone Affairs	Apr. 20, 2005	**130,100**	**–**

Ministry	Date of Order	Authorized ($)	Expended ($)
Ontario Native Affairs Secretariat	Oct. 28, 2004	439,300	439,300
	Dec. 8, 2004	3,452,000	3,451,050
	Aug. 17, 2005	1,900,000	772,215
		5,791,300	**4,662,565**
Public Infrastructure Renewal	Mar. 10, 2005	134,546,000	–
	Mar. 31, 2005	18,660,000	–
		153,206,000	**–**
Tourism and Recreation	Dec. 2, 2004	352,000	352,000
	Feb. 10, 2005	2,000,000	628,636
	Apr. 20, 2005	1,262,100	1,253,785
		3,614,100	**2,234,421**
Training, Colleges and Universities	Nov. 4, 2004	328,000	–
	Mar. 15, 2005	175,000,000	174,999,987
	Mar. 22, 2005	200,000,000	200,000,000
	Apr. 7, 2005	39,171,300	37,408,226
		414,499,300	**412,408,213**
Transportation	Dec. 8, 2004	2,152,000	1,106,418
	Mar. 10, 2005	4,635,800	2,769,800
	Mar. 24, 2005	34,846,400	7,800,000
	Mar. 31, 2005	44,000,000	44,000,000
	Apr. 20, 2005	34,000,000	17,285,794
	Aug. 17, 2005	22,675,600	16,945,173
		142,309,800	**89,907,185**
Total Treasury Board Orders		**3,852,825,300**	**2,926,198,787**

Exhibit 4

Auditor General Act

R.S.O. 1990, Chapter A.35

This version of the *Auditor General Act* does not include provisions that were not yet proclaimed as at September 30, 2005, which primarily relate to the *Government Advertising Act, 2004*.

Amended by: 1999, c. 5, s. 1; 1999, c. 11; 2004, c. 17, ss. 1-30.

Definitions

1. In this Act,

"agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body,

(a) whose accounts the Auditor General is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

(b) whose accounts are audited by the Auditor General under any other Act or whose accounts the Auditor General is appointed by the Lieutenant Governor in Council to audit,

(c) whose accounts are audited by an auditor, other than the Auditor General, appointed by the Lieutenant Governor in Council, or

(d) the audit of the accounts of which the Auditor General is required to direct or review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor General under any other Act,

but does not include one that the *Crown Agency Act* states is not affected by that Act or that any other Act states is not a Crown agency within the meaning or for the purposes of the *Crown Agency Act*; ("organisme de la Couronne")

"audit" includes a special audit; ("vérification", "vérifier")

"Board" means the Board of Internal Economy referred to in section 87 of the *Legislative Assembly Act*; ("Commission")

"Crown controlled corporation" means a corporation that is not an agency of the Crown and having 50 per cent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council; ("société contrôlée par la Couronne")

"fiscal year" has the same meaning as in the *Ministry of Treasury and Economics Act*; ("exercice")

"grant recipient" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body that receives a reviewable grant directly or indirectly; ("bénéficiaire d'une subvention")

"public money" has the same meaning as in the *Financial Administration Act*; ("deniers publics")

"reviewable grant" means a grant or other transfer payment from the Consolidated Revenue Fund, from an agency of the Crown or from a Crown controlled corporation; ("subvention susceptible d'examen")

"special audit" means an examination with respect to the matters described in subclauses 12 (2) (f) (i) to (v). ("vérification spéciale") R.S.O. 1990, c. A.35, s. 1; 2004, c. 17, s. 2.

References to former names

1.1 A reference in an Act, regulation, order in council or document to a person or office by the former title of that person or the former name of that office set out in Column 1 of the following Table or by a shortened version of that title or name shall be deemed, unless a contrary intention appears, to be a reference to the new title of that person or the new name of that office set out in Column 2:

Column 1/Colonne 1	Column 2/Colonne 2
Former titles and names/ Anciens titres et anciennes appellations	New titles and names/ Nouveaux titres et nouvelles appellations
Assistant Provincial Auditor/vérificateur provincial adjoint	Deputy Auditor General/ sous-vérificateur général
Office of the Provincial Auditor/Bureau du vérificateur provincial	Office of the Auditor General/Bureau du vérificateur général
Provincial Auditor/ vérificateur provincial	Auditor General/ vérificateur général

2004, c. 17, s. 3.

Office of the Auditor General

2. The Office of the Auditor General consists of the Auditor General, the Deputy Auditor General and such employees as the Auditor General may require for the proper conduct of the business of the Office. 2004, c. 17, s. 4.

Auditor General

3. The Auditor General shall be appointed as an officer of the Assembly by the Lieutenant Governor in Council on the address of the Assembly after consultation with the chair of the standing Public Accounts Committee of the Assembly. R.S.O. 1990, c. A.35, s. 3; 2004, c. 17, s. 5.

Term of office

4. (1) The term of office of the Auditor General is 10 years and a person is not eligible to be appointed to more than one term of office. 2004, c. 17, s. 6.

Same

(2) The Auditor General continues to hold office after the expiry of his or her term of office until a successor is appointed. 2004, c. 17, s. 6.

Removal

(3) The Auditor General may be removed from office for cause, before the expiry of his or her term of office, by the Lieutenant Governor in Council on the address of the Assembly. 2004, c. 17, s. 6.

Salary of Auditor General

5. (1) The Auditor General shall be paid a salary within the highest range of salaries paid to deputy ministers in the Ontario civil service and is entitled to the privileges of office of a senior deputy minister. R.S.O. 1990, c. A.35, s. 5 (1); 1999, c. 5, s. 1 (1); 1999, c. 11, s. 1 (1); 2004, c. 17, s. 7.

Same

(2) The salary of the Auditor General, within the salary range referred to in subsection (1), shall be determined and reviewed annually by the Board. 1999, c. 11, s. 1 (2); 2004, c. 17, s. 7.

Idem

(3) The salary of the Auditor General shall be charged to and paid out of the Consolidated Revenue Fund. R.S.O. 1990, c. A.35, s. 5 (3); 2004, c. 17, s. 7.

Appointment of Deputy Auditor General

6. The Deputy Auditor General shall be appointed as an officer of the Assembly by the Lieutenant Governor in Council upon the recommendation of the Auditor General. R.S.O. 1990, c. A.35, s. 6; 2004, c. 17, s. 8.

Duties of Deputy Auditor General

7. The Deputy Auditor General, under the direction of the Auditor General, shall assist in the exercise of the powers and the performance of the duties of the Auditor General and, in the absence or inability to act of the Auditor General, shall act in the place of the Auditor General. R.S.O. 1990, c. A.35, s. 7; 2004, c. 17, s. 9.

Qualifications

8. The persons appointed as Auditor General and Deputy Auditor General shall be persons who are licensed under the *Public Accountancy Act*. R.S.O. 1990, c. A.35, s. 8; 2004, c. 17, s. 10.

Exhibit 4

Audit of Consolidated Revenue Fund

9. (1) The Auditor General shall audit, on behalf of the Assembly and in such manner as the Auditor General considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise. R.S.O. 1990, c. A.35, s. 9 (1); 2004, c. 17, s. 11.

Audit of agencies of the Crown

(2) Where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Auditor General shall perform the audit, and, despite any other Act, where the accounts and financial transactions of an agency of the Crown are audited by another auditor, the audit shall be performed under the direction of the Auditor General and such other auditor shall report to the Auditor General. R.S.O. 1990, c. A.35, s. 9 (2); 2004, c. 17, s. 11.

Audit of Crown controlled corporations

(3) Where the accounts of a Crown controlled corporation are audited other than by the Auditor General, the person or persons performing the audit,

(a) shall deliver to the Auditor General forthwith after completion of the audit a copy of their report of their findings and their recommendations to the management and a copy of the audited financial statements of the corporation;

(b) shall make available forthwith to the Auditor General, when so requested by the Auditor General, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request;

(c) shall provide forthwith to the Auditor General, when so requested by the Auditor General, a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation. R.S.O. 1990, c. A.35, s. 9 (3); 2004, c. 17, s. 11.

Additional examination and investigation

(4) Where the Auditor General is of the opinion that any information, explanation or document that is provided, made available or delivered to him or her by the auditor or auditors referred to in subsection (2) or (3) is insufficient, the Auditor General may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the Auditor General considers necessary. R.S.O. 1990, c. A.35, s. 9 (4); 2004, c. 17, s. 11.

Special audits

Grant recipients

9.1 (1) On or after April 1, 2005, the Auditor General may conduct a special audit of a grant recipient with respect to a reviewable grant received by the grant recipient directly or indirectly on or after the date on which the *Audit Statute Law Amendment Act, 2003* receives Royal Assent. 2004, c. 17, s. 12.

Exception

(2) Subsection (1) does not apply with respect to a grant recipient that is a municipality. 2004, c. 17, s. 12.

Crown controlled corporations, etc.

(3) The Auditor General may conduct a special audit of a Crown controlled corporation or a subsidiary of a Crown controlled corporation. 2004, c. 17, s. 12.

Examination of accounting records

9.2 (1) The Auditor General may examine accounting records relating to a reviewable grant received directly or indirectly by a municipality. 2004, c. 17, s. 12.

Same

(2) The Auditor General may require a municipality to prepare and submit a financial statement setting out the details of its disposition of the reviewable grant. 2004, c. 17, s. 12.

Duty to furnish information

10. (1) Every ministry of the public service, every agency of the Crown, every Crown controlled corporation and every grant recipient shall give the Auditor General the information regarding its powers, duties, activities, organization, financial transactions and methods of business that the Auditor General believes to be necessary to perform his or her duties under this Act. 2004, c. 17, s. 13.

Access to records

(2) The Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things or property belonging to or used by a ministry, agency of the Crown, Crown controlled corporation or grant recipient, as the case may be, that the Auditor General believes to be necessary to perform his or her duties under this Act. 2004, c. 17, s. 13.

No waiver of privilege

(3) A disclosure to the Auditor General under subsection (1) or (2) does not constitute a waiver of solicitor-client privilege, litigation privilege or settlement privilege. 2004, c. 17, s. 13.

Power to examine on oath

11. (1) The Auditor General may examine any person on oath on any matter pertinent to an audit or examination under this Act. 2004, c. 17, s. 13.

Same

(2) For the purpose of an examination, the Auditor General has the powers that Part II of the *Public Inquiries Act* confers on a commission, and that Part applies to the examination as if it were an inquiry under that Act. 2004, c. 17, s. 13.

Stationing a member in a ministry, etc.

11.1 (1) For the purpose of exercising powers or performing duties under this Act, the Auditor General may station one or more members of the Office of the Auditor General in any ministry of the public service, agency of the Crown, Crown controlled corporation or grant recipient. 2004, c. 17, s. 13.

Accommodation

(2) The ministry, agency, corporation or grant recipient, as the case may be, shall provide the accommodation required for the purposes mentioned in subsection (1). 2004, c. 17, s. 13.

Prohibition re obstruction

11.2 (1) No person shall obstruct the Auditor General or any member of the Office of the Auditor General in the performance of a special audit under section 9.1 or an examination under section 9.2 and no person shall conceal or destroy any books, accounts, financial records, electronic data processing records, reports, files and all other papers, things or property that the Auditor General considers to be relevant to the subject-matter of the special audit or examination. 2004, c. 17, s. 13.

Offence

(2) Every person who knowingly contravenes subsection (1) and every director or officer of a corporation who knowingly concurs in such a contravention is guilty of an offence and on conviction is liable to a fine of not more than $2,000 or imprisonment for a term of not more than one year, or both. 2004, c. 17, s. 13.

Penalty, corporation

(3) If a corporation is convicted of an offence under subsection (2), the maximum penalty that may be imposed on the corporation is $25,000. 2004, c. 17, s. 13.

Annual report

12. (1) The Auditor General shall report annually to the Speaker of the Assembly after each fiscal year is closed and the Public Accounts are laid before the Assembly, but not later than the 31st day of December in each year unless the Public Accounts are not laid before the Assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the Auditor General should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session or, if not, not later than the tenth day of the next session. R.S.O. 1990, c. A.35, s. 12 (1); 2004, c. 17, s. 14 (1).

Contents of report

(2) In the annual report in respect of each fiscal year, the Auditor General shall report on,

(a) the work of the Office of the Auditor General and on whether, in carrying on the work of the Office, the Auditor General received all the information and explanations required;

(b) the examination of accounts of receipts and disbursements of public money;

(c) the examination of the consolidated financial statements of Ontario as reported in the Public Accounts;

(d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;

(e) all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;

(f) such matters as, in the opinion of the Auditor General, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matter relating to the audit or examination of the Crown, Crown controlled corporations or grant recipients or any cases where the Auditor General has observed that,

(i) accounts were not properly kept or public money was not fully accounted for,

(ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,

(iii) money was expended other than for the purposes for which it was appropriated,

(iv) money was expended without due regard to economy and efficiency, or

(v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the Auditor General, the established procedures were not satisfactory. R.S.O. 1990, c. A.35, s. 12 (2); 2004, c. 17, s. 14 (2-7).

Opinion on statements

(3) In the annual report in respect of each fiscal year, the Auditor General shall express his or her opinion as to whether the consolidated financial statements of Ontario, as reported in the Public Accounts, present fairly information in accordance with appropriate generally accepted accounting principles and the Auditor General shall set out any reservations he or she may have. 2004, c. 17, s. 14 (8).

13. REPEALED: 2004, c. 17, s. 15.

14. REPEALED: 2004, c. 17, s. 15.

Proviso

15. Nothing in this Act shall be construed to require the Auditor General,

(a) to report on any matter that, in the opinion of the Auditor General, is immaterial or insignificant; or

(b) to audit or direct the audit of or report on the accounts of a body not referred to in this Act in the absence of such a requirement in any other Act in respect of the body. R.S.O. 1990, c. A.35, s. 15; 2004, c. 17, s. 16.

Attendance at standing Public Accounts Committee of the Assembly

16. At the request of the standing Public Accounts Committee of the Assembly, the Auditor General and any member of the Office of the Auditor General designated by the Auditor General shall attend at the meetings of the committee in order,

(a) to assist the committee in planning the agenda for review by the committee of the Public Accounts and the annual report of the Auditor General; and

(b) to assist the committee during its review of the Public Accounts and the annual report of the Auditor General,

and the Auditor General shall examine into and report on any matter referred to him or her in respect of the Public Accounts by a resolution of the committee. R.S.O. 1990, c. A.35, s. 16; 2004, c. 17, s. 17.

Special assignments

17. The Auditor General shall perform such special assignments as may be required by the Assembly, the standing Public Accounts Committee of the Assembly, by resolution of the committee, or by a minister of the Crown in right of Ontario but

such special assignments shall not take precedence over the other duties of the Auditor General under this Act and the Auditor General may decline an assignment by a minister of the Crown that, in the opinion of the Auditor General, might conflict with the other duties of the Auditor General. R.S.O. 1990, c. A.35, s. 17; 2004, c. 17, s. 18.

Power to advise

18. The Auditor General may advise appropriate persons employed in the public service of Ontario as to any matter that comes or that may come to the attention of the Auditor General in the course of exercising the powers or performing the duties of Auditor General. R.S.O. 1990, c. A.35, s. 18; 2004, c. 17, s. 18.

Audit working papers

19. Audit working papers of the Office of the Auditor General shall not be laid before the Assembly or any committee of the Assembly. R.S.O. 1990, c. A.35, s. 19; 2004, c. 17, s. 19.

Staff

20. Subject to the approval of the Board and to sections 22, 25 and 26, the Auditor General may employ such professional staff and other persons as the Auditor General considers necessary for the efficient operation of the Office of the Auditor General and may determine the salary of the Deputy Auditor General and the salaries and remuneration, which shall be comparable to the salary ranges of similar positions or classifications in the public service of Ontario, and the terms and conditions of employment of the employees of the Office of the Auditor General. R.S.O. 1990, c. A.35, s. 20; 2004, c. 17, s. 20.

Oath of office and secrecy and oath of allegiance

21. (1) Every employee of the Office of the Auditor General, before performing any duty as an employee of the Auditor General, shall take and subscribe before the Auditor General or a person designated in writing by the Auditor General,

(a) the following oath of office and secrecy, in English or in French:

I, ..., do swear (*or* solemnly affirm) that I will faithfully discharge my duties as an employee of the Auditor General and will observe and comply with the laws of Canada and Ontario and, except as I may be legally required, I will not disclose or give to any person any information or document that comes to my knowledge or possession by reason of my being an employee of the Office of the Auditor General.

So help me God. (Omit this line in an affirmation)

(b) the following oath of allegiance, in English or in French:

I, ..., do swear (*or* solemnly affirm) that I will be faithful and bear true allegiance to Her Majesty Queen Elizabeth the Second (*or the reigning sovereign for the time being*), her heirs and successors according to law.

So help me God. (Omit this line in an affirmation)

R.S.O. 1990, c. A.35, s. 21 (1); 2004, c. 17, s. 21 (1).

Idem

(2) The Auditor General may require any person or class of persons appointed to assist the Auditor General for a limited period of time or in respect of a particular matter to take and subscribe either or both of the oaths set out in subsection (1). R.S.O. 1990, c. A.35, s. 21 (2); 2004, c. 17, s. 21 (2).

Record of oaths

(3) A copy of each oath administered to an employee of the Office of the Auditor General under subsection (1) shall be kept in the file of

the employee in the Office of the Auditor General. R.S.O. 1990, c. A.35, s. 21 (3); 2004, c. 17, s. 21 (3).

Cause for dismissal

(4) The failure of an employee of the Office of the Auditor General to take and subscribe or to adhere to either of the oaths required by subsection (1) may be considered as cause for dismissal. R.S.O. 1990, c. A.35, s. 21 (4); 2004, c. 17, s. 21 (3).

Benefits

22. (1) The employee benefits applicable from time to time under the *Public Service Act* to civil servants who are not within a unit of employees established for collective bargaining under any Act apply or continue to apply, as the case may be, to the Auditor General, the Deputy Auditor General and to the full-time permanent and probationary employees of the Office of the Auditor General and the Board or any person authorized by order of the Board may exercise the powers and duties of the Civil Service Commission and the Auditor General or any person authorized in writing by the Auditor General may exercise the powers and duties of a deputy minister under that Act in respect of such benefits. R.S.O. 1990, c. A.35, s. 22 (1); 2004, c. 17, s. 22 (1).

Pension plan

(2) The Auditor General and the Deputy Auditor General are members of the Public Service Pension Plan. 2004, c. 17, s. 22 (2).

Expert assistance

23. Subject to the approval of the Board, the Auditor General from time to time may appoint one or more persons having technical or special knowledge of any kind to assist the Auditor General for a limited period of time or in respect of a particular matter and the money required for the purposes of this section shall be charged to and paid out of the Consolidated Revenue Fund. R.S.O. 1990, c. A.35, s. 23; 2004, c. 17, s. 23.

Delegation of authority

24. The Auditor General may delegate in writing to a person employed in the Office of the Auditor General the Auditor General's authority to exercise any power or perform any duty other than his or her duty to report to the Assembly. 2004, c. 17, s. 24.

Political activities of employees of the Office of the Auditor General

25. (1) An employee of the Office of the Auditor General shall not,

(a) be a candidate in a provincial or federal election or in an election for any municipal office including a local board of a municipality within the meaning of the *Municipal Affairs Act*;

(b) solicit funds for a provincial, federal or municipal party or candidate; or

(c) associate his or her position in the Office of the Auditor General with any political activity. R.S.O. 1990, c. A.35, s. 25 (1); 2004, c. 17, s. 25.

Cause for dismissal

(2) Contravention of any of the provisions of subsection (1) may be considered as cause for dismissal. R.S.O. 1990, c. A.35, s. 25 (2).

Conduct of business and employee discipline

26. (1) The Auditor General may make orders and rules for the conduct of the internal business of the Office of the Auditor General and, subject to this section, may for cause suspend, demote or dismiss an employee of the Office or may release such an employee from employment. 2004, c. 17, s. 26.

Suspension, etc., of employee

(2) Subject to subsection (3), if the Auditor General for cause suspends, demotes or dismisses an employee of the Office of the Auditor General or if the Auditor General releases such an employee from employment, the provisions of the *Public Service Act* and the regulations made under it that apply where a deputy minister exercises powers under section 22 of that Act apply, with necessary modifications. 2004, c. 17, s. 26.

Same

(3) For the purposes of subsection (2), the *Public Service Act* and the regulations under it apply as if the Auditor General were a deputy minister, but the requirement that a deputy minister give notice to, or obtain the approval of, the Civil Service Commission does not apply. 2004, c. 17, s. 26.

Grievances

(4) An employee whom the Auditor General for cause suspends, demotes or dismisses may file a grievance with respect to the Auditor General's decision. 2004, c. 17, s. 26.

Same

(5) The provisions of the regulations made under the *Public Service Act* that apply in relation to grievances authorized by those regulations apply with necessary modifications to a grievance authorized by subsection (4) as if the Auditor General were a deputy minister. 2004, c. 17, s. 26.

Proceedings privileged

27. (1) No proceedings lie against the Auditor General, the Deputy Auditor General, any person employed in the Office of the Auditor General or any person appointed to assist the Auditor General for a limited period of time or in respect of a particular matter, for anything he or she may do or report or say in the course of the exercise or the intended exercise of functions under this Act, unless it is shown that he or she acted in bad faith. R.S.O. 1990, c. A.35, s. 27 (1); 2004, c. 17, s. 27 (1).

(2) REPEALED: 2004, c. 17, s. 27 (2).

Duty of confidentiality

27.1 (1) The Auditor General, the Deputy Auditor General and each person employed in the Office of the Auditor General or appointed to assist the Auditor General for a limited period of time or in respect of a particular matter shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act. 2004, c. 17, s. 28.

Same

(2) Subject to subsection (3), the persons required to preserve secrecy under subsection (1) shall not communicate to another person any matter described in subsection (1) except as may be required in connection with the administration of this Act or any proceedings under this Act or under the *Criminal Code* (Canada). 2004, c. 17, s. 28.

Same

(3) A person required to preserve secrecy under subsection (1) shall not disclose any information or document disclosed to the Auditor General under section 10 that is subject to solicitor-client privilege, litigation privilege or settlement privilege unless the person has the consent of each holder of the privilege. 2004, c. 17, s. 28.

Confidentiality of personal information

27.2 (1) No person shall collect, use or retain personal information on behalf of the Auditor General unless the personal information is reasonably necessary for the proper administration of this Act or for a proceeding under it. 2004, c. 17, s. 28.

Same

(2) No person shall collect, use or retain personal information on behalf of the Auditor General if other information will serve the purpose for which the personal information would otherwise be collected, used or retained. 2004, c. 17, s. 28.

Retention of information

(3) If the Auditor General retains personal information relating to the medical, psychiatric or physiological history of the individual or information relating to the individual's health care or well-being, the Auditor General shall,

(a) remove all references in the information to the name of the individual and to other identifying information;

(b) retain the information by using a system of identifiers, other than the name of the individual and the other identifying information mentioned in clause (a); and

(c) ensure that the information is not,

  (i) easily identifiable by a person who is not authorized to have access to it,

  (ii) used or disclosed for purposes not directly related to the Auditor General's duties under this Act,

  (iii) published, disclosed or distributed in any manner that would allow the information to be used to identify the individual or to infer the individual's identity, or

  (iv) combined, linked or matched to any other information that could identify the individual, except if the Auditor General finds it necessary to do so to fulfil his or her duties under this Act. 2004, c. 17, s. 28.

Definition

(4) In this section,

"personal information" has the same meaning as in the *Freedom of Information and Protection of Privacy Act*. 2004, c. 17, s. 28.

Examination of accounts of Office of the Auditor General

28. A person or persons, not employed by the Crown or the Office of the Assembly, licensed under the *Public Accountancy Act* and appointed by the Board, shall examine the accounts relating to the disbursements of public money on behalf of the Office of the Auditor General and shall report thereon to the Board and the chairman of the Board shall cause the report to be laid before the Assembly if it is in session or, if not, at the next session. R.S.O. 1990, c. A.35, s. 28; 2004, c. 17, s. 29.

Estimates

29. (1) The Auditor General shall present annually to the Board estimates of the sums of money that will be required for the purposes of this Act. R.S.O. 1990, c. A.35, s. 29 (1); 2004, c. 17, s. 30.

Review by Board

(2) The Board shall review and may alter as it considers proper the estimates presented by the Auditor General, and the chair of the Board shall cause the estimates as altered by the Board to be laid before the Assembly and the Assembly shall refer the estimates laid before it to a committee of the Assembly for review. R.S.O. 1990, c. A.35, s. 29 (2); 2004, c. 17, s. 30.

Notice

(3) Notice of meetings of the Board to review or alter the estimates presented by the Auditor General shall be given to the chair and the vice-chair of the standing Public Accounts Committee of the Assembly and the chair and the vice-chair

may attend at the review of the estimates by the Board. R.S.O. 1990, c. A.35, s. 29 (3); 2004, c. 17, s. 30.

Money

(4) The money required for the purposes of this Act, other than under sections 5 and 23, shall be paid out of the money appropriated therefor by the Legislature. R.S.O. 1990, c. A.35, s. 29 (4).

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